



## Russia, China and France Try to Avert Anti-Iraq Vote

Compiled by Our Staff From Dispatches

UNITED NATIONS, New York — Russia, China and France moved Friday to head off any Security Council action authorizing automatic use of force if Iraq violates an agreement to open presidential palaces to UN arms inspectors.

Britain and the United States were pressing other permanent members of the Security Council on Friday to back such a resolution, which would warn Iraq that any violation would have the "severest consequences."

The British initiative, co-sponsored by Japan, warned Iraq of such consequences if it violated the agreement, which was signed by Secretary-General Kofi Annan and the Iraqi deputy prime minister, Tariq Aziz, on Monday in Baghdad.

Britain's chief UN delegate, John Weston, had said he was confident of winning council support. He said he did not think there was "any division within this building about diplomacy backed with firmness achieving more than diplomacy alone."

The chief U.S. delegate, Bill Richardson, said the goal of the resolution was "to send an unmistakable signal to Iraq that it must comply with the agreement to open up all the sites or it will face serious, serious consequences."

But the council meeting ended two-and-a-half hours later with no agreement on final language of the resolution.

Mr. Weston implicitly admitted that the council would likely not approve the initiative until next week, saying he was "considering whether to invite my colleagues to sit over the weekend for that purpose."

Diplomats said Russia, France and China were working to soften the British document. The sources said the three were lobbying with the council's 10 nonpermanent members against any language that might open the door to an automatic use of force by the United States and Britain.

Instead, the three wanted language to ensure that the full council would determine if

Iraq had violated the agreement and, if so, what response would be appropriate.

This would mean that even if the United States and Britain believed the agreement had been violated, the final determination would rest with the full council.

The council would have to decide separately whether the violation merited use of force. That would mean any of the three dissenters could veto use of force. Any of the five permanent members can veto a resolution.

On Thursday night, Mr. Annan canceled a trip to Washington planned for Monday, ostensibly to remain close to UN headquarters while the council does its work.

Russia and France say the British resolution is a "cover for future military strikes," a diplomat said. And "China believes that there is no need for a resolution," said Chen Ranfeng, a spokesman for Beijing.

Mr. Annan has defended the agreement he struck with President Saddam Hussein in Baghdad. Republicans in the U.S. Congress have criticized it, with Senator Jesse Helms, Republican of North Carolina and chairman of the Foreign Relations Committee, saying Thursday that Mr. Annan "gave away the store."

Mr. Annan said the alternative to the agreement would have ended UN inspectors' work. "The memo of understanding has strengthened it," he said in a letter thanking UN colleagues for their support. "It is the council, not a few critics, who will have the last word."

The inspectors have been working to certify that Iraq has eliminated all its weapons of mass destruction before the Security Council will lift economic sanctions imposed after Iraq invaded Kuwait, sparking the 1991 Gulf War.

The UN's chief weapons inspector, Richard Butler, rejected speculation that his authority would be undermined by the deal which calls for diplomats to accompany inspectors on their visits to sensitive sites. He said his UN Special Commission would remain in charge of the inspections and the scientific analysis. (AP, AFP)

## Palestinian Census Stirs an Argument

By Joel Greenberg  
New York Times Service

JERUSALEM — Results of the first Palestinian census have been announced, showing 2.9 million Palestinians in the West Bank, the Gaza Strip and East Jerusalem.

The figure published by the Palestinian Central Bureau of Statistics, a branch of the Palestinian Authority, was significantly higher than previous Israeli estimates of about 1.8 million Palestinians in the West Bank and Gaza Strip and an additional 180,000 in East Jerusalem.

The last census in the West Bank and Gaza Strip was conducted by Israel after it captured the areas in the 1967 Arab-Israeli war, and since then population estimates for those areas have been a point of political contention between Israel and the Palestinians.

The Palestinians have accused Israel of under-reporting their numbers for political reasons, while an Israeli spokesman asserted Thursday that the Palestinian census figures

were inflated to serve the aims of the authority.

Hassan Abu Libdeh, head of the Palestinian statistics bureau, described the census, the first since the start of Palestinian self-rule in 1994, as a national milestone.

"Official Palestinian statistics have been born, and Palestine is now liberated internationally," he said Thursday at a news conference in the West Bank town of Ramallah. "An independent Palestinian state has been established, at least in the field of statistics."

But Sholomo Dror, spokesman for the Israeli Defense Ministry, said the Palestinian data were faulty and included people who lived abroad. "The figures are inaccurate by any standard, and we don't take them seriously," he said.

The Palestinian census counts 2,920,454 Palestinians in the West Bank, Gaza Strip and East Jerusalem. There was no breakdown for the West Bank and Gaza Strip, but the census showed 210,209 Palestinians in East Jerusalem, about 30,000 more than the Israeli estimate.

The court cleared Mr. Garaudy of inciting racial hatred. His publisher, Pierre Guillaume, head of the Vieille Taupe publishing house, was cleared of all charges.

Mr. Garaudy, who was not in court when the verdict was read out, has denied any wrongdoing. (Reuters)

## BRIEFLY



Medical students demonstrating Friday following a ban by Istanbul University on Islamic attire. (AP Photo/Anadolu)

### Islamists in Turkey Protest

### Sinn Fein Ban 'Not Enough'

ISTANBUL — Up to 10,000 Turkish Islamists demonstrated Friday against a ban on Islamic attire in the largest of recent street protests that have put pressure on the government of Prime Minister Mesut Yilmaz.

"Muslims won't bow down to repression," students chanted as they marched through streets near Istanbul University. It was the fourth protest this week against the university's ban on female students wearing Islamic headscarves and male students having beards, seen as a sign of Muslim piety.

The protests have grown despite a decision by the university to suspend the ban. The marchers later dispersed peacefully, calling for all students to join a general university boycott from Monday. (Reuters)

### Author on Holocaust Is Fired

PARIS — A Paris court fined Roger Garaudy, a French philosopher, 120,000 francs on Friday for questioning the Holocaust in his book "The Founding Myths of Israeli Politics."

Mr. Garaudy, 84, a convert to Islam who has become a hero for many Arab intellectuals, was fined 80,000 francs (about \$13,000) on a charge of denying crimes against humanity.

He was fined another 40,000 francs on a charge of racial defamation for accusing a Jewish lobby of controlling western media.

Mr. Garaudy argued at his trial last month that he was only calling for a historical and scientific review of Nazi crimes. But the chief judge, Jean-Yves Montfort, said the 1995 book "outspokenly and systematically disputed" the Holocaust.

The court cleared Mr. Garaudy of a charge of inciting racial hatred. His publisher, Pierre Guillaume, head of the Vieille Taupe publishing house, was cleared of all charges.

Mr. Garaudy, who was not in court when the verdict was read out, has denied any wrongdoing. (Reuters)

### Correction

A Reuters dispatch in Wednesday's editions neglected to report that Cable News Network Inc. already operates a non-English-language television channel, CNN Espanol. In addition, the expansion of CNN's German broadcasts is not a move toward creating a German channel, the company said.

CAPE TOWN (Reuters) — Only Denmark and the Netherlands still want to go ahead with plans to abolish duty-free sales within the 15-nation European Union, the Airports Council International said Friday.

"Duty free is a win-win situation and we are fighting very strongly for it," Jean Fleury, council chairman and president of the Paris Airports Authority, said after a board meeting in Cape Town.

Airports and ferry operators are waging a campaign to oppose scrapping duty-free sales, a move decided by EU finance ministers in 1992. Duty-free sales will continue to exist for people leaving the EU.

HIGHER FEES IN U.S. national parks have not stemmed the flow of visitors, with four of every five saying they are willing to pay the additional money or even more, the Interior Department said.

## TRAVEL UPDATE

### Fighting for EU Duty-Free Sales

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## WEATHER

### Europe

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## Israel Tells Switzerland It Regrets Spy Incident

The Associated Press

JERUSALEM — Israel apologized to Switzerland on Friday for Mossad's bungled bugging in the Swiss embassy of an Islamic militant, moving to put the embarrassing affair behind it.

Israel regretted any trouble the incident had caused the Swiss government, the director-general of the Israeli Foreign Ministry, Eitan Ben-Tsur, said in a letter to the Swiss president and foreign minister, Mavio Cotti.

Apparently in an attempt to justify the operation, Mr. Ben-Tsur also noted that terrorism posed a threat to Israel's security and to Middle East stability.

The Swiss Foreign Ministry said an apology — which had been demanded by the Swiss — was received Friday afternoon.

In the botched spying operation, five Mossad agents were caught last week trying to bug a small apartment block in the Bern suburb of Liebefeld.

The building has two tenants with Arab names. But there was no official confirmation of Mossad's target. Swiss and Israeli media speculated that Mossad believed an Islamic militant — either a member of the Iranian-backed Hezbollah group or the radical Palestinian Hamas movement — was at work.

Swiss authorities said they caught five suspects equipped with surveillance gear after a woman alerted the police. One of the five, an Israeli, was arrested. Israeli political sources have said efforts were under way to obtain his trial and expulsion.



## Angola's 'Peace' Could Lead to War

### Savimbi's Forces Resist Government's Agreed Takeover of Towns

By Lynne Duke  
Washington Post Service

**HUAMBO**, Angola — A veritable museum of destruction, Huambo's bomb-cratered streets, bullet-splattered houses and blasted high-rise buildings are constant reminders of war's ubiquitous menace.

But one need not look to ruins of past battles to know that menace still stalks Huambo. Here in the central highlands region and elsewhere in battle-ravaged Angola, there are increasingly frequent reports of bridges blown up or new land mines laid or planes flying in weapons or crackdowns by government forces or ambushes on the roads or rebel forces massing.

Technically, Angola is at peace. But, like war, it can be hell.

"I get very upset," said Alfredo de Deus Sacotingo, 23, a teacher wounded in the 1994 siege of Huambo. "We are young boys, and we would be forced to take part in armed force. Our future will be threatened."

Mr. Sacotingo's fear also plagues the government, the United Nations and other international mediators. It is that as Angola's 39-month-old peace process struggles through a profoundly treacherous phase, tensions surrounding the dismantlement of the UNITA rebel movement eventually could boil over into renewed guerrilla conflict or prompt a government move to crush UNITA decisively.

At issue is whether the headquarters of the National Union for the Total Independence of Angola at Baulundo, as well as several other towns in a strategic buffer around it, will be handed over soon for government administration. Jonas Savimbi, the skillful tactician who once was a U.S. Cold War proxy and is among the world's longest-surviving rebel leaders, agreed in writing that such a handover would occur by Saturday.

But as UN observers and government officials have extended state administration to towns closer and closer to Baulundo, they have met increasing hostility — at the negotiating table and on

the ground. Diplomats say the handover will not occur this weekend.

UNITA justifies its delays, in part, by pointing to the hard line that government troops have taken in crackdowns on former UNITA towns, settling scores with old foes who then do the same in return.

"The degree of mistrust is tremendous here. Tremendous," said Betrroz Sadry, a UN assistant secretary-general who is supervising the Angolan peace process. "Perhaps we've tied one of their hands behind their back, but the other is still holding a knife."

The deadline, when agreed upon in January, was supposed to be the climax of the peace process that began with the November 1994 signing of the Lusaka accord after a government siege of Huambo forced UNITA to flee to Baulundo and negotiate for peace. With that document, UNITA and the government of President Jose Eduardo dos Santos agreed to end their 19-year war.

The United Nations dubbed it the "worst war in the world," especially the final two years, when Huambo and Kuito, to the east, and other interior towns were pummeled by repeated sieges. Hundreds of thousands of people were killed or maimed, mainly by land mines.

The country's economy and infrastructure were left so crippled that renewed combat would be a disaster. Amid deepening government corruption and the continued militarization of the national budget, not even the nation's tremendous oil wealth has rescued Angola from economic crisis.

Despite these high stakes, the peace process teeters on the brink of derailment as Mr. Savimbi faces his biggest hurdle: giving up his heartland or facing the consequences. The United Nations has lost patience and may soon pull out or impose new sanctions on UNITA, which has flouted the arms, travel and flight prohibitions already brought against it. The government wants the United Nations to leave, a source close to the peace process said, as hawks in the military are bristling to act.

In addition to giving up his stronghold, Mr. Savimbi also agreed to declare his movement demilitarized. This, too, has yet to happen. But when it does, the estimated 20,000 troops that UNITA is believed to be secretly keeping in the bush could become fair game for army attack.

Although negotiating maneuvers have not yet been exhausted and the United Nations continues to try to manage a volatile situation, the threat of eventual military action against UNITA towns large, say diplomats in the capital, Luanda.

"They have a signed UNITA commitment to take certain actions by February 28," said a source close to the peace process. Once that date passes, "if they want to send troops into these places, they can send troops into these places."

UNITA hostility was evident in the region last week.

Two bridges were blown up near the UNITA-controlled town of Quirima, near Andulo, as it was to be handed over to the government. A UN helicopter inspecting the damage was hit by small-arms fire from an armored personnel carrier.

UNITA once controlled more than half of Angolan territory, most of it rural. Of 339 UNITA towns or villages slated to be handed over to the government, about 270 have been transferred. But low-grade conflicts have broken out in many of these places.

Despite the hostility in the bush, UNITA has complied with the Lusaka accord to the extent of sending some of its 70 politicians into the national Parliament and four into the cabinet, where a more moderate form of opposition is practiced in what is called a "unity" government.

Speaking of a world far away from the one in which he now operates, Abel Chivukwula, president of the UNITA bench in Parliament, said, "The problem is fear."

"UNITA people fear" that the ruling party will "never rest easy near UNITA," he said.

### INDIA: Foreign' Sonia Gandhi Shakes Up Election Campaign

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During her campaign, Mrs. Gandhi has accomplished a transformation, both of herself and of Indian politics. In place of the reclusive widow she became after her husband's assassination in 1991, she has emerged as a credible though still reluctant candidate for prime minister, the post once held by her husband; her mother-in-law, Indira Gandhi; and her husband's grandfather, Jawaharlal Nehru.

Indians have been stunned. Even the fusty state broadcasting system, often partial to the Hindu nationalists, has led many of its evening television newscasts with reports on Mrs. Gandhi.

India Today, the country's most widely circulated news magazine, devoted its cover and much else this week to "The Sonia Blitzkrieg," and compared her performance, perhaps inevitably, to that of a diva in an Italian opera.

"It is a spectacle hard to end," the magazine said, citing Mrs. Gandhi's "spaghetti English and accented Hindi," her "aggressive marketing" of the Nehru-Gandhi family's political legacy and, above all, her impact on the vast crowds that have gathered for her 140 campaign appearances, estimated to have totaled more than 15 million people. "Women cry unabashedly when she talks of her lonely existence, and others gawk at the 'white woman' speaking Hindi," it said.

Even if the results, which are expected by Tuesday, show that the Hindu nationalists have won, or have taken

such a hold on Parliament as to make them unstoppable at the head of a new coalition government, many Indians say Mrs. Gandhi will have achieved something considered almost impossible — reviving the Congress Party after long years of shrinking support brought about by chronic corruption and cronyism.

Many Indians even say Congress may emerge as the leader of an alternative coalition formed by 15 or more parties united by their determination to block the Hindu nationalists. This would mark a watershed victory in a battle going back decades, to the era of Mohandas K. Gandhi, the independence leader, who

was unrelentingly opposed to the nationalists' hostility for the Muslim minority, now 120 million in a population of 980 million.

Most opinion polls now indicate that Congress will win 150 seats, perhaps as many as 175, in the 545-seat Parliament, at least 100 more than many politicians predicted before Mrs. Gandhi's campaign.

On the other side, the Hindu nationalists have watched with growing apprehension as forecasts of their own seat count have receded, in some polls to as low as 210, including seats that may be won by their allies.

Initially the Hindu nationalists seemed perplexed by Mrs. Gandhi, paying her scant attention. Then, as the polls showed the Congress Party's support picking up, men like Atal Bihari Vajpeyi and Lal Krishna Advani, who would lead a Hindu nationalist government, became increasingly shrill, warning of the dangers of a "foreign hand" or a "Rome Raj."

Few doubted that this was code for Mrs. Gandhi's Roman Catholicism, a faith in which her son, Rahul, 27, and her daughter, Priyanka, 26, also grew up.

#### ■ 4 Die in Explosions

At least four people died and 20 were wounded in three blasts in and around Bombay on Friday, Agence France-Press reported.



A Hindu boy in Bombay holding a poster of Sonia Gandhi as campaigning ended.

### U.K. to Waive Succession Rule: First Born to Be First to Reign

Compiled by Our Staff From Dispatches

**LONDON** — Queen Elizabeth II has decided that the crown should pass to the monarch's oldest child, male or female.

The ending of primogeniture, or succession through the male line, was announced to the House of Lords on Friday. It will not make any immediate difference: the first three people in line to succeed the queen are males — her son Prince Charles, and his sons Prince William and Prince Harry.

But if Prince Charles' line were to die out, one suggested version of the new rules would put Princess Anne, the queen's second child, her children and future descendants, ahead of her younger brothers, Andrew and Edward, and theirs.

A bill that called for the end of primogeniture had been introduced by Lord Archer, better known as the novelist Jeffrey Archer. In light of the government's intentions, Lord Archer said he would withdraw his bill.

If women had had equal rights to succeed, Queen Victoria would have been succeeded by her daughter, Victoria, rather than her son Edward, who became Edward VII.

The queen had no brothers, so she automatically became the heir when her father took the throne.

Lord Williams said: "A major constitutional measure of this sort ought properly to be the subject of a government bill. We will be considering how best to carry this forward within government and in consultation with the Royal Family."

The new system will be much the same as in Sweden, where succession irrespective of sex has been the rule since 1979.

In Spain and Belgium, by contrast, all females are barred from the line.

Continued from Page 1

America's friends are now asking questions as to how friendly are the Americans?

But not all analysts are so severe, and there are some in Israel who view such sentiments as a temporary and common wave of anti-Americanism that Arab leaders found it convenient to ride.

"I call it the 'free propaganda rider syndrome,'" said Mark Heller, a senior research fellow at the Jaffee Center, a foreign-policy group in Israel. "Basically you take a free ride on something that's happening anyway. They talk as if there was a golden age of cooperation in 1991, or in 1993, which was not the case. The difference is that Arab countries this time did not feel threatened by Saddam."

The fence-straddling could be further explained by the Arabs' uncertainty over whether the United States intended to topple Mr. Saddam. "They didn't want to commit themselves against Saddam unless they were certain that the United States would take him down," Mr. Heller said.

Whatever the sentiment on the street, the crisis did not change the reality that the United States is still the dominant power in the region and the primary guarantor of stability in the Gulf.

As one European diplomat noted, Gulf countries rely on the United States in one way or another to protect them from their powerful neighbors, Iran and Iraq.

"Willy-nilly, the Gulf countries have to admit that they have no option but the American security guarantee," the diplomat said.

Ultimately, most analysts seemed to agree that the key to Washington's standing is not in the Gulf, but in Israel.

"Nobody sees Iraq at this juncture as the main

threat to the Arab world," Mr. Sid Ahmed said. "This is totally different from 1991, when Saddam was seen as a real threat. Now there is nothing to compare between what Saddam is doing and Netanyahu's obstruction to the peace process."

However exaggerated the sentiment may be, with Iraq off center stage for now, the Israeli-Palestinian issue is certain to return and put Washington's standing to a quick test.

"Iraq just bought Netanyahu a time-out," Mr. Heller said. "The Israeli-Palestinian thing is the default option on any menu. Now that there is a sense that Iraq has gone away, the other one will come back up."

Specifically, there were reports in the Israeli press that the Clinton administration was poised to present a plan of its own to revive the peace talks.

According to Ma'ariv, the plan calls on Israel to withdraw from 13.1 percent of territory controlled exclusively by Israel in the West Bank in three stages over three months. At the same time, an Israeli-Palestinian committee is to be set up to monitor Palestinian compliance with their side of the agreement.

If the reports prove true, and the Clinton administration succeeds in reviving the Israeli-Palestinian peace effort, the sense is that such action would go a long way toward compensating for any loss of American stature over Iraq. By most accounts, the Palestinian issue, at least symbolically, remains the primary gauge of American credibility.

As one senior Western diplomat in an Arab country said, "American credibility in the region is lower than at any time I can remember it, and to restore it will take not just finding a way out with Iraq, but something tangible that benefits the Palestinians."

The lawsuit alleges that the Libyan government contributed to the bombing and should be held responsible.

Ms. Cohen called the ruling by the

court has decided that it wishes to consider these complex issues in more detail at a full hearing.

Meanwhile, the UN resolutions stand: Libya must surrender those accused of the Lockerbie bombing for trial in Scotland or the United States.

An international lawyer familiar with

the case said that the ruling meant that the World Court would decide whether Libya had the right to try them or was obliged by the Security Council resolutions to surrender them to the United States or Britain.

"To that extent, it's a victory for Libya," the lawyer said.

But he added that the court could rule that the UN Charter requires Libya to comply with the Security Council resolutions.

"What it has said is that it does have jurisdiction in this matter, that it wants to hear more detail and more argument on the substance of the matter," Sir John Weston said. "And no doubt it will do so."

"In that sense," he added, "the matter continues, and the Security Council resolutions stand."

### RATES: Strong U.S. Economy

Continued from Page 1

Iems should have only a minimal effect on the U.S. and world economies.

"Right now the contagion appears to be contained," Mr. Rubin said.

Daily reports delivered to the U.S. Treasury show that South Korea has built up its foreign currency reserves "very, very substantially," he said.

"Korea's situation is very much improved over where it was at the end of December," Mr. Rubin said. In addition, Thailand is in a "much better situation," and its currency, the baht, is recovering, he said.

On another note, he said President Clinton would oppose any effort by Republicans in Congress to repeal rules that require many investors to hold assets for 18 months to qualify for a lower tax rate on capital gains.

He also said the American people had "been responsive" to the president's argument that any budget surplus be set aside for Social Security, and the administration "should be able" to prevail against Republican efforts to pass a tax cut.



Prime Minister Romano Prodi, left, with Finance Minister Carlo Azeglio Ciampi, detailing Italy's data Friday.

### EMU: Europe's Common Fiscal Policy Shows as It Meets Terms

Continued from Page 1

monetary union, while Greece has conceded it will not make the grade until 2001 at the earliest.

The next step toward monetary union comes March 25, when the European Commission and the European Monetary Institute, the precursor of the EU's future central bank, will recommend which nations should be allowed to join in inaugurating the single currency. EU leaders are expected to endorse the choices at a summit meeting May 2-3.

Yet the hard-won achievements do not solve Europe's crisis in joblessness, which is on average twice as high as that of the United States. Nor do they mask huge differences that separate Europe's fast-growing tigers from its richer but slower nations.

Even as European countries embrace similarly strict fiscal and monetary policies, a fissure is widening between countries embracing greater flexibility and rigid regulations remain prohibitive.

In general, economists say that Euro-

pean countries will be launching the euro under the best circumstances they could possibly have hoped for. Most predict that Europe will enjoy faster economic growth in 1998 than it has in years, even though the Asian financial crisis is expected to dampen exports.

#### ■ Nations Exceed Debt Ceiling

EU member states' debt figures paint a mixed picture, with only four countries meeting the Maastricht treaty's guideline for national gross debt of 60 percent of GDP. Reuters reported.

But the high debt is unlikely to stall monetary union as the treaty says countries can take part if their debt is approaching that level.

Italy, which along with Belgium is furthest from meeting this target, said its debt was at 121.6 percent of GDP last year. Germany's debt was at 61.3 percent, and Finance Minister Theo Waigel said the ratio would fall to 61.25 percent this year. France said its debt was below the 60 percent threshold.

Indict in Attack on Haitian

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## EDITORIALS/OPINION

## Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Holding Up Foreign Aid

It is scandalous that an unrelated domestic dispute over abortion is holding up congressional approval of funds for international purposes of vital American interest. One such purpose is to enable the International Monetary Fund to help troubled Asian economies, among other things, to buy more American goods. A second is to pay up American arrears to the United Nations, an organization in the center of American efforts to banish proscribed weapons from Iraq.

The trouble arises from an amendment offered by Representative Christopher Smith, Republican of New Jersey, and supported by the House Republican leadership. Current law already bars any U.S. funding for foreign abortion-related services, lobbying or research. Mr. Smith would go on to revive the Reagan-Bush "Mexico City Policy." It denies American aid to any foreign nongovernmental organization that performs abortions or lobbies for abortion even with its own money.

In the domestic debate we support the side favoring choice. But of course both sides are principled in their fashion, and both stir important constituencies. You could call it a difficult but unavoidable fight among Americans.

But why must this fight be exported onto foreign terrain? The limitations that the Mexico City Policy imposes upon the work of foreign nongovern-

mental organizations intrude directly on the options available to poor countries to manage their own future. The anti-lobbying provision intrudes especially egregiously not only into the medical standards but also into the political practices of aid recipients.

As Secretary of State Madeleine Albright put it, that provision punishes nongovernmental organizations "for engaging in the democratic process in foreign countries and for engaging in legal activities that would be protected by the First Amendment if carried out in the United States."

The current House Republican position is to demand that the administration negotiate a compromise banning lobbying but allowing limited family planning aid. The Clinton administration is right to want no part of a compromise that narrows the personal choices open to women abroad, interferes in the development policies of other countries and invades the public space they maintain for policy debate.

House Republicans have attached the abortion measure to most foreign policy legislation, including United Nations reform and State Department reorganization. Their amendment constitutes a rank intervention into other countries' domestic business and deserves defeat.

—THE WASHINGTON POST.

## James Bond Fantasy

There is a seductive quality to covert spy operations. Turn over millions of dollars to the Central Intelligence Agency, the theory goes, and let it use the black arts of sabotage and subversion to accomplish what diplomats and generals cannot. Washington is now enthralled by the idea that James Bond methods can remove Saddam Hussein from power. Unfortunately, the notion is a fantasy and a poor substitute for the hard work of dealing with the threats presented by Iraq.

It is fortuitous that CIA brainstorming about Iraq, as described by Tim Weiner (*IHT*, Feb. 27), coincides with the publication of a long-secret internal report about one of the agency's most spectacular failures, the 1961 Bay of Pigs invasion of Cuba.

Though the cases are different in many respects, both are based on overly optimistic expectations that entrenched dictators can be toppled by small acts of insurrection. Saddam today is no more likely to be overthrown through acts of sabotage than Fidel Castro was 37 years ago by a bedraggled band of invaders.

The danger of covert operations is the illusion that a secret policy can make up for the deficiencies of a public policy. Usually covert activities just make matters worse because they do not remain covert for long and often misfire, embarrassing America. In the case of Iraq, there is little chance that

—THE NEW YORK TIMES.

## Campaign Reform

There was no shortage of gleeful burial crews on Capitol Hill Thursday proclaiming the death of campaign finance reform. In truth, it was disappointing that no more than 51 senators, well short of the 60 needed, voted to cut off a filibuster of the McCain-Feingold bill led by Trent Lott, the majority leader. But if reform supporters keep attaching the measure to other legislation in coming weeks, the most significant cleanup of the nation's polluted electoral system since the post-Watergate reforms of the 1970s can still be salvaged.

Mr. Lott triumphantly pulled campaign reform from the Senate calendar. But surely it was an ignominious step to block the will of the majority of the Senate. The record now shows that all 45 Democrats (one of whom was absent on Thursday) and 7 Republicans favor reform.

It will take eight more Republicans to overcome a future filibuster, but there are enough moderate Republicans in the Senate who understand that the party looks cynical and hypocritical after exposing wrongdoing in the 1996 campaign and then blocking the one chance to reform the system.

—THE NEW YORK TIMES.

## Other Comment

## Suharto's Idea

Whatever one thinks of currency boards, having stated his intention to implement one, President Suharto will only erode his credibility further if he now backs away from the discipline it implies. At the center of Mr. Suharto's contribution to Indonesian development has been the establishment of order. But to keep it he will need to give up control.

—Par Eastern Economic Review (Hong Kong).

## Herald Tribune

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## Don't Worry, Any Gain by Saddam Will Be Fleeting

By Jim Hoagland

WASHINGTON — Winning in the Middle East is a short-term, illusory exercise. No victory is stable in a region so marked by profound social and economic fracture and constant political betrayal. Grim survival, to fight and perhaps lose on another day, is top prize.

That is why Americans should not be too upset, or outraged, that Saddam Hussein rakes in most of the short-term gains of the latest U.S.-Iraq confrontation. The Iraqi dictator will squander those gains, which lie more in the realm of psychology than in real diplomatic or military advantage. If he does not, the United States still has the capability to take them away from him.

The question is whether President Bill Clinton has the grit and resolve to use that capability in Iraq. The management of the first phase of this crisis — which is not over — unfortunately does not provide a conclusive answer.

Trent Lott, the Senate majority leader, and other Republicans exaggerate when they accuse Mr. Clinton of having made a bargain with the devil, in the form of UN Secretary-General Kofi Annan, to "subcontract" U.S. foreign policy and further a strategy of "aggressive multilateralism."

That overestimates the amount of deliberate strategy, and underestimates

the amount of desperation, that marked the Clintonites' use of Mr. Annan and his dash to Baghdad. That mission was directed at getting Mr. Clinton out of a confrontation for which he was not yet ready, as well as at avoiding the damage of a U.S. attack would bring to Iraqi civilians.

The text Mr. Annan brought back contained no serious violation of the conditions the United States and Britain had set for staying military action now. But there were serious and surprising gaps, especially on procedures for future inspections.

Those gaps will have to be worked out not by Mr. Annan but by Richard Butler, the head of the UN Special Commission inspection teams that Saddam wants to block. With strong American backing, Mr. Butler and his American deputies can shape the agreement into an arrangement that either protects the integrity of the weapons inspections or makes Saddam responsible for the agreement's failure.

That breach, in turn, will lead to "the severest consequences," a phrase that Russia, France, the United States, Britain and China agreed to include in the negotiating brief that Mr. Annan

carried to Baghdad with him. It is Mr. Annan's performance since he returned from Baghdad that has awarded Saddam consequential gains. Somewhere between the Euphrates and the Hudson rivers the highly competent, steely Ghanaian diplomat I have known for two decades metamorphosed into Miss Manners, accepting Saddam Hussein as an expert of decorum.

Most troubling was the warm way in which Mr. Annan, speaking to reporters in New York on Tuesday, embraced Saddam as a decisive leader who deserved more respect from Mr. Butler's inspectors. Suddenly the top civil servant at United Nations, which had previously vowed to ostracize and tame the Iraqi dictator, treated him as a sensitive and caring negotiating partner.

Saddam will market at home Mr. Annan's misguided praise of him as a statesman as proof that the world is relaxing its opposition to the terror and hardship Saddam inflicts on his people.

I doubt that Mr. Annan believes Saddam has suddenly had a character transplant. Mr. Annan is realistic enough not to harbor such illusions. He seems to expect that offering Saddam some dignity and new legitimacy will encourage him to behave responsibly and live up to his word.

That was the approach George Bush and Jim Baker tried on Saddam before they started calling him Hitler Jr. That is the kind of human charity that Bill Clinton expressed in saying the Saddam might undergo a conversion someday, and then minimizing his depredations for six years. Prance and sympathy encourage Saddam not to responsible behavior but to new outrage.

Ask the Kuwaitis, who helped pay for his war against Iran and then got invaded by him. You could ask his political associates, but they invariably wind up dead. Mr. Annan should remember that it is not fatal to be Saddam's enemy but to be his friend.

Saddam's gains are likely to be ephemeral, and Mr. Clinton may well get another chance at military action, for which he should be better prepared.

In the end, Saddam and President Clinton are on irreconcilable paths. The Iraqi will not permit inspections that endanger his hold on a personal arsenal of chemical and biological weapons, whatever he has agreed with Mr. Annan. Mr. Clinton and his aides have made dramatic statements about such weapons and about Iraq in this crisis that have alerted the American public to the dangers of doing nothing.

The showdown is still to come.  
The Washington Post.

## Use the Reprieve to Prepare for the Inevitable Showdown

By James A. Baker 3d

HOUSTON — The apparent resolution of the standoff between Iraq and the United States is an occasion for neither celebration, as some in the Clinton administration suggest, nor recrimination, as some of the administration's critics would have us believe.

It is, rather, a sobering reminder of the need to prepare now for the next — and, in my opinion, inevitable — confrontation with Saddam Hussein.

In the short term, the agreement by Secretary-General Kofi Annan and the Iraqi leader freed President Bill Clinton from a nasty dilemma. Had Mr. Clinton ordered substantial, sustained air strikes against Iraq — the best of a number of not very good military options — the diplomatic consequences in the region and, indeed, around the world would have been severe.

But the consequences of not so acting, after months of threats and a major American military buildup in the Gulf, would have been even worse.

We Americans would have lost prestige and credibility in a region that is vital to our

international community the back of his hand, there is no meaningful penalty. After a while he simply promises again to do what he has been obligated to do since 1991, and the stage is set for a repeat performance.

That is where I fear we are now. I suspect Iraq (and some former members of our 1991 coalition) do not believe that Mr. Clinton will ever use substantial, sustained force. Our former Arab partners do not want any part of a policy that would involve more pinprick attacks — a one-shot bombing of a few military sites, for instance, as has been done several times since the war ended. Such attacks could prompt an anti-American backlash in these countries without significantly weakening Saddam.

But most important, Saddam Hussein's actions must now match his promises.

Unfortunately, there are many — and I am among them — who do not think that will be the case. We will almost certainly see his "cheat and retreat" obstructionism again.

If so, what happens next time? The administration will be in an even tougher position. Our erstwhile coalition partners will surely show no greater enthusiasm for the use of force. And responding as we have before — using "pinprick" force or accepting another promise — should be out of the question.

Each time Saddam gives the

applicable Security Council resolutions, we will react with force.

• The force we use will be sustained and substantial.

• Our reaction will not be predated by months (or even weeks or days) of negotiating or procedural wrangling under the guise of diplomacy. Diplomatic and political efforts to force compliance have been exhausted.

• We will maintain our current military strength in the Gulf for the foreseeable future.

• We will use that force unilaterally if necessary.

Whatever lies ahead, it is vital to keep in mind that countering Saddam represents only part of our interests. The broader concern is halting the spread of weapons of mass destruction — perhaps the greatest security threat confronting America and the world today.

Only the United States can lead the fight against the proliferation of doomsday weapons. We must not shrink from it. Rogue regimes around the world are watching closely.

• The next time Saddam does not comply with agreements he has made or when

again by simply making more

promises, these regimes will conclude, probably correctly, that proliferation has won. And they will be emboldened.

There is nothing wrong with containment of Iraq's weapons programs as a policy, provided that it is sufficiently robust and sustained. It worked against the Soviet Union for more than 40 years. It has worked against Saddam's nuclear, chemical and missile capabilities for the last seven years.

It can be made to work against his biological weapons capabilities.

But only if we lead — from strength and with resolve. And if we do, we will be surprised at how many of our reluctant former coalition partners will end up cheering us on.

President Clinton has said about the Annan agreement that what is important is not Saddam's words but his actions.

The writer was secretary of state in the Bush administration. He contributed this comment to The New York Times.

## It's Time Asia Thought About the Euro and the Yen

By Philip Bowring

HONG KONG — Members of the Association of South East Asian Nations have been having fanciful dreams about using each other's currencies rather than the U.S. dollar for regional trade. Meetings on the topic may make for good headlines.

But the region would do better to examine how it is going on in the growing-up currency world of the euro and the yen.

In time, local currencies are likely to be used more in bilateral trade. But for now, most ASEAN trade is with the outside world. Only 25 percent of ASEAN trade is with other association members.

Singapore, thanks to its entrepôt role, accounts for nearly half of the total.

Two other events are relevant, however. The euro will come into existence at an opportune time for a Southeast Asia looking to escape its dollar straitjacket. Whether the euro proves a strong or weak currency is not particularly relevant. It will

provide a unique opportunity for Asian countries to diversify the currency of denomination and the settlement of their trade. Germany does much, but far from all, of its Asian trade in Deutsche marks. But in general the dollar is the dominant currency in Europe-Asia trade.

This was a reasonable situation when most Asian currencies had stable rates against the dollar and Europe had several currencies, most of which were unfamiliar in Asia. But a single currency in Europe and the exchange rate volatility both internationally and regionally argue for diversification of trading currencies by Asia.

The countries expected to join the euro account for about 15 percent of ASEAN trade. Though this is less than Japan (22 percent) and America (20 percent), Asia would do well to recognize the euro's potential.

It could quickly become the preferred trading currency in Eastern Europe and in countries such as Turkey, whose main trading partner is the European Union. Recognition of the euro's potential should thus not merely expand trade with Europe and the diversification of settlement currency but enhance Asia's ability to compete in the informal euro area.

The euro will come in handy for other reasons, too. First, for its own economic stability, Asia must think in terms of currency stability against the three major global currencies, not just one. It needs to diversify foreign exchange reserves away from a dollar that now accounts for some 70 percent of regional reserves. The dollar may be strong now, but how long will it remain so given the size of foreign dollar holdings and the U.S. trade deficit?

Asia also needs to diversify its sources of debt. The euro area promises a capital market almost equal in size to the domestic U.S. debt market. Unlike the United States, it has a large savings surplus.

What applies to the euro also applies to the yen. Japan and its currency may be out of favor, but Tokyo is at last encouraging yen usage. The liberalization of Japan's financial industries will produce a surge of yen lending and yen-denominated securities. If Japanese institutions do not lead the way, the more aggressive foreign institutions in Tokyo will.

Asians have borrowed a skepticism about the euro from the Anglo-Saxons. And for their own reasons they have been reluctant to engage with Japan on financial issues. But ASEAN members now must consider how to take advantage of global currency developments. They may find it increases their bargaining power in debt negotiations. After all, it is the Europeans and the Japanese who are Asia's main creditors, not the American banks.

An Asia-Europe summit meeting is set for London in April. The Asians now should be considering how to bargain their need for trade finance and loan restructuring for Europe's loan for euro success.

International Herald Tribune.

The writer was secretary of state in the Bush

## Be Fleeting

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The showdown is still to come.

## Showdown

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## EUROPE

## French Jobless Rate Takes Another Dip

Compiled by Our Staff From Dispatches

**PARIS** — The French unemployment rate dropped in January for the third month in a row, but the number of jobless increased slightly, the Labor Ministry said Friday.

The unemployment rate slipped to 12.1 percent from 12.2 percent in December, but the seasonally adjusted number of people unemployed in France rose in January by 5,900 to 3,033,700.

The rise in the number of job seekers breaks a string of four consecutive monthly drops. In December, the number of job seekers fell by a record 86,800.

The 12.1 percent unemployment rate is the lowest since February 1996, when it also stood at 12.1 percent.

The dip in the unemployment rate was sure to be good news for the Socialist-led government, elected in June on pledges to create work. But the rise in job seekers shows that France's problem of long-term unemployment persisted.

Finance Minister Dominique Strauss-Kahn said the government would give priority to cutting unemployment rather than to cutting social charges.

"Cutting social charges in not our major priority. Our priorities are one: employment, two: em-

ployment, three: employment," he said. "For 1999, the whole budget is likely to be oriented toward employment."

Those seeking jobs in France for longer than a year rose 1.9 percent in January and accounted for 37.4 percent of the total. The figure is 3 percentage points higher than a year ago.

A separate measure, based on International Labor Organization standards, showed the number of jobless fell by 35,000 in January.

"The job engine is warming up," said Stephane Deo, an economist at Goldman, Sachs & Co. in Paris. "As soon as we enter the virtuous circle of employment and spending, we'll be out of the woods."

Mr. Deo said most employment gains would take place in high-tech sectors and services this year.

Already, Cegetele, a telephone company controlled by General des Eaux SA, hired 2,000 workers in 1997 and plans to take on another 2,500 this year. The Software company Cap Gemini SA also plans to hire more than 1,000 people this year.

Still, the improvement will be very gradual, analysts said. It took five months for the unemployment rate to slide from July's record 12.6 percent. (Bridge News, Reuters, AFX, Bloomberg)

## Hoechst Pretax Profit Slumps in 1997 But Beats Expectations as Stock Soars

Compiled by Our Staff From Dispatches

**FRANKFURT** — Hoechst AG said Friday its 1997 pretax profit fell to 3.16 billion Deutsche marks (\$1.74 billion) from 5.15 billion DM in 1996, but the results were still well above analysts' expectations for the chemical and drug company.

The market had been braced for disappointing figures after a German magazine said it obtained Hoechst documents that put pre-tax profit at 3.07 billion DM. The strong figures sent the company's shares up 4 percent, to close at 70.3 DM.

Sales rose to \$21.10 billion in 1997, from \$20.93 billion in 1996. Favorable exchange rate movements helped sales rise despite the

company's virtual protection of blockbusters," said Chief Executive Juergen Dornmann to the daily *Die Welt*. "We have to make do with our old product pipeline. New product launches aren't expected until 1999 and 2000." (Reuters, Bloomberg)

## WORLD STOCK MARKETS

Friday, Feb. 27.

Prices in local currencies.

Telestocks

High Low Close Prev.

Amsterdam

SET Index: 1022.22

Previous: 1022.22

High Low Close Prev.

ABN-AMRO

44.61 45.40 45.40 45.40

Aerojet

24.25 22.00 22.00 22.00

Aerojet

41.60 41.50 41.50 41.50

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10.50 10.50 10.50 10.50

Aerojet

2.50 2.50 2.50 2.50

Aerojet

2.50 2.50 2.50 2.50

Aerojet

1.50 1.50 1.50 1.50

Aerojet

NYSE

**Friday's 4 P.M. Close**

The 2,600 most traded stocks of the day.  
Nationwide prices not reflecting late trades elsewhere.  
The Associated Press.

12 Month High Low Stock \* Div Yld PE 100s High Low Listed Chg/

13 Month	High	Low	Stock	Div	Yld	PE	100s	High	Low	Latest	Chg
23	576	543	Ginch L	—	—	—	1063	500	180	198	-10
24	754	743	GRACED	—	—	—	1023	700	70	72	-1
25	1000	950	GRANITE	—	—	—	1023	950	150	150	-10
26	1120	1050	GRANIT	—	—	—	1023	1050	150	150	-10
27	424	424	GTEB	—	—	—	1023	500	50	50	-10
28	254	254	Ginch	—	—	—	1023	500	50	50	-10
29	1000	950	GEORG	45	45	—	1023	120	120	120	-10
30	775	754	GEOL	40	40	—	1023	90	90	90	-10
31	124	5	Geol	—	—	—	1023	90	90	90	-10
32	154	154	Geoltech	35	35	—	1023	750	750	750	-10
33	2574	2524	Geoltech	34	34	—	1023	750	750	750	-10
34	1250	1250	Geoltech	33	33	—	1023	750	750	750	-10
35	2120	1970	Geoltech	32	32	—	1023	750	750	750	-10
36	2170	1930	Geoltech	30	30	—	1023	750	750	750	-10
37	2050	1900	Geoltech	28	28	—	1023	750	750	750	-10
38	464	15	Geoltech	—	—	—	1023	750	750	750	-10
39	1770	1680	Geoltech	50	50	—	1023	750	750	750	-10
40	1220	1040	Geoltech	49	49	—	1023	750	750	750	-10
41	1540	1380	Geoltech	48	48	—	1023	750	750	750	-10
42	2070	1910	Geoltech	47	47	—	1023	750	750	750	-10
43	1960	1870	Geoltech	46	46	—	1023	750	750	750	-10
44	2170	1970	Geoltech	45	45	—	1023	750	750	750	-10
45	2270	2070	Geoltech	44	44	—	1023	750	750	750	-10
46	2070	1870	Geoltech	43	43	—	1023	750	750	750	-10
47	2500	2200	Geoltech	42	42	—	1023	750	750	750	-10
48	2070	1870	Geoltech	41	41	—	1023	750	750	750	-10
49	1960	1870	Geoltech	40	40	—	1023	750	750	750	-10
50	2070	1870	Geoltech	39	39	—	1023	750	750	750	-10
51	2170	1970	Geoltech	38	38	—	1023	750	750	750	-10
52	2270	2070	Geoltech	37	37	—	1023	750	750	750	-10
53	2070	1870	Geoltech	36	36	—	1023	750	750	750	-10
54	2170	1970	Geoltech	35	35	—	1023	750	750	750	-10
55	2270	2070	Geoltech	34	34	—	1023	750	750	750	-10
56	2070	1870	Geoltech	33	33	—	1023	750	750	750	-10
57	2170	1970	Geoltech	32	32	—	1023	750	750	750	-10
58	2270	2070	Geoltech	31	31	—	1023	750	750	750	-10
59	2070	1870	Geoltech	30	30	—	1023	750	750	750	-10
60	2170	1970	Geoltech	29	29	—	1023	750	750	750	-10
61	2270	2070	Geoltech	28	28	—	1023	750	750	750	-10
62	2070	1870	Geoltech	27	27	—	1023	750	750	750	-10
63	2170	1970	Geoltech	26	26	—	1023	750	750	750	-10
64	2270	2070	Geoltech	25	25	—	1023	750	750	750	-10
65	2070	1870	Geoltech	24	24	—	1023	750	750	750	-10
66	2170	1970	Geoltech	23	23	—	1023	750	750	750	-10
67	2270	2070	Geoltech	22	22	—	1023	750	750	750	-10
68	2070	1870	Geoltech	21	21	—	1023	750	750	750	-10
69	2170	1970	Geoltech	20	20	—	1023	750	750	750	-10
70	2270	2070	Geoltech	19	19	—	1023	750	750	750	-10
71	2070	1870	Geoltech	18	18	—	1023	750	750	750	-10
72	2170	1970	Geoltech	17	17	—	1023	750	750	750	-10
73	2270	2070	Geoltech	16	16	—	1023	750	750	750	-10
74	2070	1870	Geoltech	15	15	—	1023	750	750	750	-10
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76	2270	2070	Geoltech	13	13	—	1023	750	750	750	-10
77	2070	1870	Geoltech	12	12	—	1023	750	750	750	-10
78	2170	1970	Geoltech	11	11	—	1023	750	750	750	-10
79	2270	2070	Geoltech	10	10	—	1023	750	750	750	-10
80	2070	1870	Geoltech	9	9	—	1023	750	750	750	-10
81	2170	1970	Geoltech	8	8	—	1023	750	750	750	-10
82	2270	2070	Geoltech	7	7	—	1023	750	750	750	-10
83	2070	1870	Geoltech	6	6	—	1023	750	750	750	-10
84	2170	1970	Geoltech	5	5	—	1023	750	750	750	-10
85	2270	2070	Geoltech	4	4	—	1023	750	750	750	-10
86	2070	1870	Geoltech	3	3	—	1023	750	750	750	-10
87	2170	1970	Geoltech	2	2	—	1023	750	750	750	-10
88	2270	2070	Geoltech	1	1	—	1023	750	750	750	-10
89	2070	1870	Geoltech	0	0	—	1023	750	750	750	-10
90	2170	1970	Geoltech	-1	-1	—	1023	750	750	750	-10
91	2270	2070	Geoltech	-2	-2	—	1023	750	750	750	-10
92	2070	1870	Geoltech	-3	-3	—	1023	750	750	750	-10
93	2170	1970	Geoltech	-4	-4	—	1023	750	750	750	-10
94	2270	2070	Geoltech	-5	-5	—	1023	750	750	750	-10
95	2070	1870	Geoltech	-6	-6	—	1023	750	750	750	-10
96	2170	1970	Geoltech	-7	-7	—	1023	750	750	750	-10
97	2270	2070	Geoltech	-8	-8	—	1023	750	750	750	-10
98	2070	1870	Geoltech	-9	-9	—	1023	750	750	750	-10
99	2170	1970	Geoltech	-10	-10	—	1023	750	750	750	-10
100	2270	2070	Geoltech	-11	-11	—	1023	750	750	750	-10
101	2070	1870	Geoltech	-12	-12	—	1023	750	750	750	-10
102	2170	1970	Geoltech	-13	-13	—	1023	750	750	750	-10
103	2270	2070	Geoltech	-14	-14	—	1023	750	750	750	-10
104	2070	1870	Geoltech	-15	-15	—	1023	750	750	750	-10
105	2170	1970	Geoltech	-16	-16	—	1023	750	750	750	-10
106	2270	2070	Geoltech	-17	-17	—	1023	750	750	750	-10
107	2070	1870	Geoltech	-18	-18	—	1023	750	750	750	-10
108	2170	1970	Geoltech	-19	-19	—	1023	750	750	750	-10
109	2270	2070	Geoltech	-20	-20	—	1023	750	750	750	-10
110	2070	1870	Geoltech	-21	-21	—	1023	750	750	750	-10
111	2170	1970	Geoltech	-22	-22	—	1023	750	750	750	-10
112	2270	2070	Geoltech	-23	-23	—	1023	750	750	750	-10
113	2070	1870	Geoltech	-24	-24	—	1023	750	750	750	-10
114	2170	1970	Geoltech	-25	-25	—	1023	750	750	750	-10
115	2270	2070	Geoltech	-26	-26	—	1023	750	750	750	-10
116	2070	1870	Geoltech	-27	-27	—	1023	750	750	750	-10
117	2170	1970	Geoltech	-28	-28	—	1023	750	750	750	-10
118	2270	2070	Geoltech	-29	-29	—	1023	750	750	750	-10
119	2070	1870	Geoltech	-30	-30	—	1023	750	750	750	-10
120	2170	1970	Geoltech	-31	-31	—	1023	750	750	750	-10
121	2270	2070	Geoltech	-32	-32	—	1023	750	750	750	-10
122	2070	1870	Geoltech	-33	-33	—	1023	750	750	750	-10
123	2170	1970	Geoltech	-34	-34	—	1023	750	750	750	-10
124	2270	2070	Geoltech	-35	-35	—	1023	750	750	750	-10
125	2070	1870	Geoltech	-36	-36	—	1023	750	750	750	-10
126	2170	1970	Geoltech	-37	-37	—	1023	750	750	750	-10
127	2270	2070	Geoltech	-38	-38	—	1023	750	750	750	-10
128	2070	1870	Geoltech	-39	-39	—	1023	750	750	750	-10
129	2170	1970	Geoltech	-40	-40	—	1023	750	750	750	-10
130	2270	2070	Geoltech	-41	-41	—	1023	750	750	750	-10
131	2070	1870	Geoltech	-42	-42	—	1023	750	750	750	-10
132	2170	1970	Geoltech	-43	-43	—	1023	750	750	750	-10
133	2270	2070	Geoltech	-44	-44	—	1023	750	750	750	-10
134	2070	1870	Geoltech	-45	-45	—	1023	750	750	750	-10
135	2170	1970	Geoltech	-46	-46	—	1023	750	750	750	-10
136	2270	2070	Geoltech	-47	-47	—	1023	750	750	750	-10
137	2070	1870	Geoltech	-48	-48	—	1023	750	750	750	-10
138	2170	1970	Geoltech	-49	-49	—	1023	750	750	750	-10
139	2270	2070	Geoltech	-50	-50	—	1023	750	750	750	-10
140	2070	1870	Geoltech	-51	-51	—	1023	750	750	750	-10
141	2170	1970	Geoltech	-52	-52	—	1023	750	750	750	-10
142	2270	2070	Geoltech	-53	-53	—	1023	750	750	750	-10
143	2070	1870	Geoltech	-54	-54	—	1023	750	750	750	-10
144	2170	1970	Geoltech	-55	-55	—	1023	750	750	750	-10
145	2270	2070	Geoltech	-56	-56	—	1023	750	750	750	-10
146	2070	1870	Geoltech	-57	-57	—	1023	750	750	750	-10
14											

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**Continued on Page 14**

## ASIA/PACIFIC

## China Set To Slash 4 Million State Jobs

By Sandra Sugawara  
*Washington Post Service*

TOKYO — First came the news Friday that the Japanese government was considering tax cuts. Then came Prime Minister Ryutaro Hashimoto's slight backtracking, in which he ambiguously urged "caution" on the tax cut issue.

The chief government spokesman, Kanezo Murakami, also spoke up, saying Tokyo would pursue both economic stimulus and fiscal reform. Most economists say the two goals are contradictory. The government will have to spend money to stimulate the Japanese economy quickly but cut spending to meet fiscal reform goals.

Since Japan came under pressure to stimulate its economy at the London meeting a week ago of finance ministers of the Group of Seven leading industrialized nations, Japanese officials have been sending out a litany of vague and often contradictory signals about what they intend to do.

The only economic target that Japanese officials have clearly stated is an intention to try to push the Nikkei index above 18,000 on March 31. Only six months ago, Finance Ministry officials were declaring that efforts to artificially lift stock prices were a thing of the past, that such efforts had no place in a deregulated financial market.

But faced with their economic crisis, officials are reverting to the old-time medicine. Mitsuo Horiechi, the minister of international trade and industry, said Friday that he thought the government-run postal savings and insurance funds should be used to bolster stock prices.

The measures would be reviewed by the National People's Congress, or Parliament, as the economic czar, Deputy Prime Minister Zhu Rongji, steps up his campaign to eliminate obstacles to industrial and financial sector reform.

Mr. Zhu is tipped to replace Li Peng as prime minister at an annual meeting of the congress that opens Thursday.

The China Economic Times said that about half of the 8 million official positions at Communist Party and state bodies would be phased out.

It quoted Wang Dongin, deputy minister of the State Commission for Economic Restructuring, as saying the jobs would be cut from a state payroll of 33 million people that also includes teachers, researchers and medical workers.

Central government alone — including the State Council, or cabinet — employs 48,000 people, far above its authorized limit of 31,000, Mr. Wang said.

Mr. Wang's commission was likely to be one of the casualties of the civil service downsizing, according to sources who cited a draft of the plan.

About 100 minister-level jobs would go as part of the restructuring, the sources said.

Broadly, the streamlining will spin off commercial enterprises under various government ministries. Regulatory functions of the ministries will be consolidated.

Warning that the full impact of the Asian financial crisis would be felt only this year, Finance Minister Richard Hu said prudence was the government's watchword in planning the budget released Friday.

"Our tax rates remain competitive and no major tax changes will be made against a background of declining revenue collections and rising development expenditures," Mr. Hu told Parliament.

"Although GDP growth is expected to slow down substantially this year, a decline to negative growth is not foreseen, so major stimulus initiatives are not contemplated at this time."

The budget contained a rebate of 5 percent on personal income taxes and lower property taxes. It also contained higher tobacco duties.

But the private sector was hoping for a one-point reduction in the island's corporate tax rate of 26 percent. Instead, it received a package of tax relief measures that varied from sector to sector.

Despite slower economic growth and declining tax receipts, the government would manage a modest budget surplus of 2.73 billion Singapore dollars (\$1.67 billion) — a 46 percent drop from 1997's projected 4.8 billion-dollar surplus.

Mr. Hu said, "We are increasing capital expenditures, particularly in the key areas of education, economic infrastructure and defense, in order to invest for the long term."

The government also announced Friday a freeze on all sales of state-owned land for private residential development until mid-1998 amid a deep slump caused by oversupply in the real estate market. (AFP, Reuters)

## Singapore Hopes to Bolster Businesses With Tax Package

Compiled by Our Staff From Singapore

SINGAPORE — Singapore announced tax cuts and other pro-business measures Friday as it faced a sharp economic slowdown, but maintained the corporate income tax rate despite widespread expectations of a reduction.

Warning that the full impact of the Asian financial crisis would be felt only this year, Finance Minister Richard Hu said prudence was the government's watchword in planning the budget released Friday.

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## MILITARY: Arms Contractors Wean Themselves From Pentagon

Continued from Page 1

of these recent mergers on America's overall military capability. And no one is saying that the United States is unprepared in its test of wills with Iraq. Still, there are concerns that, over time, what is being done for economic reasons today may have battlefield consequences tomorrow.

"Many of the things we do in peacetime for economic reasons in our defense consolidation could have a downside in terms of war preparedness," said Lauren Thompson, director of defense programs at the Alexie de Tocqueville Institute, a Washington research organization.

For instance, while the U.S. Navy has sufficient supplies of Tomahawk cruise missiles, the number of makers of these missiles has been reduced since the Gulf War from two to one. Raytheon says it has plenty of capacity to make the AMRAAM-AM 120 air-to-air missiles used in the Gulf War. But what happens if a shortage occurs and the Pentagon can no longer turn to the only other AMRAAM supplier, Hughes Aircraft, because Hughes is now part of Raytheon?

"Industry consolidation has gotten to the point of increasing concern," Mr. Gansler said.

Meanwhile, there are some benefits, too. A new focus on the civilian business practices means that the Pentagon will be piggybacking more on existing commercial technologies rather than engage in the costly process of building from scratch.

The military procurement budget, which pays for new weapons, fell from a peak of \$97 billion in 1985 to \$44 billion today.

As a result, there are now significantly fewer Pentagon contractors bidding on any given military contract. The three prime contractors now represent about

two-thirds of all military product sales. A report on these mergers prepared last May for the secretary of defense by the Defense Science Board, a civilian advisory panel, found that while there is "little evidence" of problems to date, military industry consolidation "poses potential concerns over time." Among them are fears that monopolistic practices could be "harmful to defense product cost, quality or performance" and that reduced competition could depress innovation, especially among smaller military suppliers.

A vision of the military contractor of the future exists just a few miles from the Pentagon in Bethesda, Maryland, where Lockheed Martin has grown by acquiring 22 weapons suppliers to become the nation's second-largest military contractor. Along with Boeing and Raytheon, Lockheed has been dubbed one of the "mega-dominant" defense companies.

It is also embarking on a new program in which high-resolution satellite transmissions, once used for military surveillance, are being marketed to foresters, business, city planners, cable-television operators and anyone who needs and sophisticated topographic maps.

For some companies, like Boeing, mergers may temporarily increase their overall military dependence. Still, for most, commercial work is considered the growth area. In contrast, military contracts are seen as a steady revenue stream, often for 10 to 20 years.

Pentagon officials are convinced that future warfare will draw heavily from the high-tech innovations dominated by American enterprises. That allows military planners to assume that much of what they need can simply be purchased off-the-shelf and modified, if necessary, for the military. This can be less costly than items often made to needlessly complex military specifications, said Mr. Gansler, the defense undersecretary.

Of course, there will still be plenty of business in traditional military hardware. For the first time in a decade, the military procurement budget was not cut in the Defense Department's 1998 budget and the Pentagon is counting on it to rise to around \$60 billion by 2000. The 1998 military budget of \$25.5 billion — with around \$10 billion a year for procurement and research — makes the Pentagon one of the biggest customers around.

## DISPUTE: Asia Woes Bring Headaches Over Risky Derivatives

Continued from Page 9

"Any time there is litigation, you have to wonder how things will get resolved. This has the feeling of the tip of the iceberg in Southeast Asia."

Indeed, so loath are commercial and investment banks to invite regulatory scrutiny of their derivatives activities that almost all legal disputes about such contracts have been settled before going to trial.

Another issue vexing the derivatives market is how often the products are used to hedge risks, such as shifts in foreign-exchange or interest rates, and how often they are used merely as a high-octane form of gambling. The Morgan dispute clearly involves the latter.

According to court papers, Morgan and SK agreed in

February 1997 to enter into two derivatives contracts involving currency swaps.

A currency swap occurs when two parties sell each other currencies and agree to re-exchange the principal at a later date.

SK, betting that the Thai baht would rise, exchanged Japanese yen with Morgan in return for baht.

But when the baht crashed last summer, setting the Asian economic crisis in motion, SK's big bet on the baht proved to be a key part of a \$300 million blunder.

So did other currency plays that SK had incorrectly wagered on.

SK had a third derivatives contract with Morgan that has left it with a \$189 million loss and is the subject of a separate court action in South Korea.

All told, SK and its guar-

antors have a potential liability

of Morgan of \$489 million.

SK has contended in papers in the South Korea case that Morgan failed to adequately inform it about the risks inherent in the derivatives contracts.

When SK filed a similar claim against Morgan in New York two weeks ago, the judge derided the firm's argument and SK withdrew the claim.

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**NASDAQ**

**Friday's 4 P.M.**

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The 1,000 most traded National Market securities  
in terms of dollar value, updated twice a year.  
*The Associated Press.*

**AP Wire, Updated**  
*The Associated Press*

## Targeting Before They

**NYSE**

## **Friday's 4 P.M. Close**

(Continued)

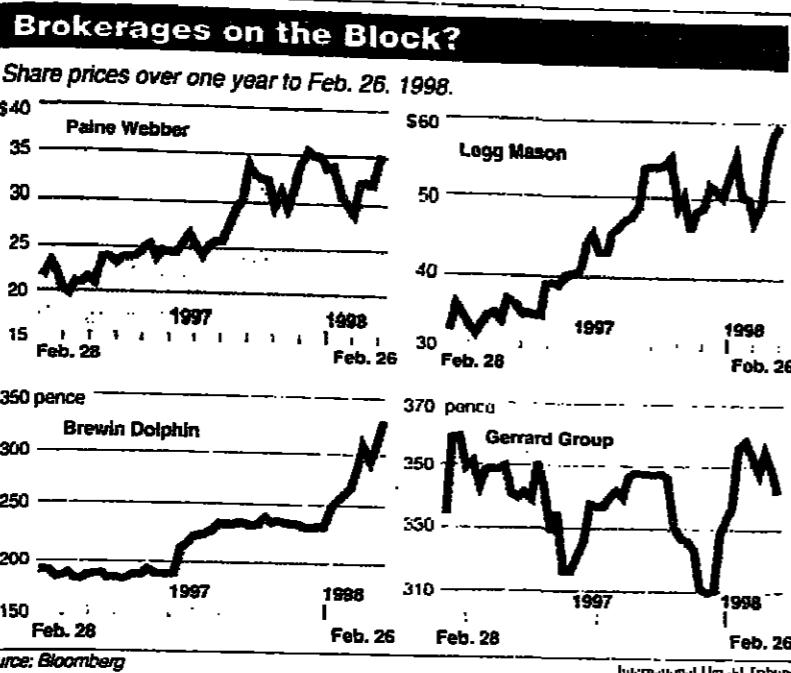
Continued

Mo	Mon	Mo	Mon	Stock	Div	Yld	PE	1000s	51%	Low	High	Chg
17	18	18	19	MoCo Bc <sup>s</sup>	1.51	9.5	10	107	16	15	15	—
17	19	19	20	MoCo Bc <sup>s</sup>	.60	1.8	19	122	12	11	11	—
17	20	20	21	MoCo Bc <sup>s</sup>	—	—	122	12	11	11	—	
17	21	21	22	MoCo Bc <sup>s</sup>	2.30	6.8	19	122	12	11	11	—
17	22	22	23	MoCo Bc <sup>s</sup>	2.82	5.1	17	122	12	11	11	—
17	23	23	24	MoCo Bc <sup>s</sup>	.30	4	24	10200	52	52	52	—
17	24	24	25	Hilti	—	—	255	—	—	—	—	—
17	25	25	26	Hilti	1.40	12	23	1796	17	17	17	—
17	26	26	27	Hilti	.45	14	23	1845	17	17	17	—
17	27	27	28	Hilti	.50	—	—	—	22	11	11	—
17	28	28	29	Hilti	—	—	—	—	1783	12	12	12
17	29	29	30	Hilti	—	—	—	—	93	18	18	18
17	30	30	31	Hilti	—	—	—	—	553	25	25	25
17	31	31	32	Hilti	—	—	—	—	581	23	23	23
17	32	32	33	Hilti	—	—	—	—	521	20	20	20
17	33	33	34	Hilti	—	—	—	—	510	19	19	19
17	34	34	35	Hilti	—	—	—	—	507	18	18	18
17	35	35	36	Hilti	—	—	—	—	507	17	17	17
17	36	36	37	Hilti	—	—	—	—	507	16	16	16
17	37	37	38	Hilti	—	—	—	—	507	15	15	15
17	38	38	39	Hilti	—	—	—	—	507	14	14	14
17	39	39	40	Hilti	40	8	8	21	—	—	—	—
17	40	40	41	Hilti	1.03	5.8	—	—	130	17	17	17
17	41	41	42	Hilti	.98	5.7	—	—	198	17	17	17
17	42	42	43	Hilti	.98	5.8	—	—	361	16	16	16
17	43	43	44	Hilti	.98	5.8	—	—	173	17	17	17
17	44	44	45	Hilti	.98	5.8	—	—	173	17	17	17
17	45	45	46	Hilti	.98	5.8	—	—	173	17	17	17
17	46	46	47	Hilti	.98	5.8	—	—	173	17	17	17
17	47	47	48	Hilti	.98	5.8	—	—	173	17	17	17
17	48	48	49	Hilti	.98	5.8	—	—	173	17	17	17
17	49	49	50	Hilti	.98	5.8	—	—	173	17	17	17
17	50	50	51	Hilti	.98	5.8	—	—	173	17	17	17
17	51	51	52	Hilti	.98	5.8	—	—	173	17	17	17
17	52	52	53	Hilti	.98	5.8	—	—	173	17	17	17
17	53	53	54	Hilti	.98	5.8	—	—	173	17	17	17
17	54	54	55	Hilti	.98	5.8	—	—	173	17	17	17
17	55	55	56	Hilti	.98	5.8	—	—	173	17	17	17
17	56	56	57	Hilti	.98	5.8	—	—	173	17	17	17
17	57	57	58	Hilti	.98	5.8	—	—	173	17	17	17
17	58	58	59	Hilti	.98	5.8	—	—	173	17	17	17
17	59	59	60	Hilti	.98	5.8	—	—	173	17	17	17
17	60	60	61	Hilti	.98	5.8	—	—	173	17	17	17
17	61	61	62	Hilti	.98	5.8	—	—	173	17	17	17
17	62	62	63	Hilti	.98	5.8	—	—	173	17	17	17
17	63	63	64	Hilti	.98	5.8	—	—	173	17	17	17
17	64	64	65	Hilti	.98	5.8	—	—	173	17	17	17
17	65	65	66	Hilti	.98	5.8	—	—	173	17	17	17
17	66	66	67	Hilti	.98	5.8	—	—	173	17	17	17
17	67	67	68	Hilti	.98	5.8	—	—	173	17	17	17
17	68	68	69	Hilti	.98	5.8	—	—	173	17	17	17
17	69	69	70	Hilti	.98	5.8	—	—	173	17	17	17
17	70	70	71	Hilti	.98	5.8	—	—	173	17	17	17
17	71	71	72	Hilti	.98	5.8	—	—	173	17	17	17
17	72	72	73	Hilti	.98	5.8	—	—	173	17	17	17
17	73	73	74	Hilti	.98	5.8	—	—	173	17	17	17
17	74	74	75	Hilti	.98	5.8	—	—	173	17	17	17
17	75	75	76	Hilti	.98	5.8	—	—	173	17	17	17
17	76	76	77	Hilti	.98	5.8	—	—	173	17	17	17
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17	79	79	80	Hilti	.98	5.8	—	—	173	17	17	17
17	80	80	81	Hilti	.98	5.8	—	—	173	17	17	17
17	81	81	82	Hilti	.98	5.8	—	—	173	17	17	17
17	82	82	83	Hilti	.98	5.8	—	—	173	17	17	17
17	83	83	84	Hilti	.98	5.8	—	—	173	17	17	17
17	84	84	85	Hilti	.98	5.8	—	—	173	17	17	17
17	85	85	86	Hilti	.98	5.8	—	—	173	17	17	17
17	86	86	87	Hilti	.98	5.8	—	—	173	17	17	17
17	87	87	88	Hilti	.98	5.8	—	—	173	17	17	17
17	88	88	89	Hilti	.98	5.8	—	—	173	17	17	17
17	89	89	90	Hilti	.98	5.8	—	—	173	17	17	17
17	90	90	91	Hilti	.98	5.8	—	—	173	17	17	17
17	91	91	92	Hilti	.98	5.8	—	—	173	17	17	17
17	92	92	93	Hilti	.98	5.8	—	—	173	17	17	17
17	93	93	94	Hilti	.98	5.8	—	—	173	17	17	17
17	94	94	95	Hilti	.98	5.8	—	—	173	17	17	17
17	95	95	96	Hilti	.98	5.8	—	—	173	17	17	17
17	96	96	97	Hilti	.98	5.8	—	—	173	17	17	17
17	97	97	98	Hilti	.98	5.8	—	—	173	17	17	17
17	98	98	99	Hilti	.98	5.8	—	—	173	17	17	17
17	99	99	100	Hilti	.98	5.8	—	—	173	17	17	17
17	100	100	101	Hilti	.98	5.8	—	—	173	17	17	17
17	101	101	102	Hilti	.98	5.8	—	—	173	17	17	17
17	102	102	103	Hilti	.98	5.8	—	—	173	17	17	17
17	103	103	104	Hilti	.98	5.8	—	—	173	17	17	17
17	104	104	105	Hilti	.98	5.8	—	—	173	17	17	17
17	105	105	106	Hilti	.98	5.8	—	—	173	17	17	17
17	106	106	107	Hilti	.98	5.8	—	—	173	17	17	17
17	107	107	108	Hilti	.98	5.8	—	—	173	17	17	17
17	108	108	109	Hilti	.98	5.8	—	—	173	17	17	17
17	109	109	110	Hilti	.98	5.8	—	—	173	17	17	17
17	110	110	111	Hilti	.98	5.8	—	—	173	17	17	17
17	111	111	112	Hilti	.98	5.8	—	—	173	17	17	17
17	112	112	113	Hilti	.98	5.8	—	—	173	17	17	17
17	113	113	114	Hilti	.98	5.8	—	—	173	17	17	17
17	114	114	115	Hilti	.98	5.8	—	—	173	17	17	17
17	115	115	116	Hilti	.98	5.8	—	—	173	17	17	17
17	116	116	117	Hilti	.98	5.8	—	—	173	17	17	17
17	117	117	118	Hilti	.98	5.8	—	—	173	17	17	17
17	118	118	119	Hilti	.98	5.8	—	—	173	17	17	17
17	119	119	120	Hilti	.98	5.8	—	—	173	17	17	17
17	120	120	121	Hilti	.98	5.8	—	—	173	17	17	17
17	121	121	122	Hilti	.98	5.8	—	—	173	17	17	17
17	122	122	123	Hilti	.98	5.8	—	—	173	17	17	17
17	123	123	124	Hilti	.98	5.8	—	—	173	17	17	17
17	124	124	125	Hilti	.98	5.8	—	—	173	17	17	17
17	125	125	126	Hilti	.98	5.8	—	—	173	17	17	17
17	126	126	127	Hilti	.98	5.8	—	—	173	17	17	17
17	127	127	128	Hilti	.98	5.8	—	—	173	17	17	17
17	128	128	129	Hilti	.98	5.8	—	—	173	17	17	17
17	129	129	130	Hilti	.98	5.8	—	—	173	17	17	17
17	130	130	131	Hilti	.98	5.8	—	—	173	17	17	17
17	131	131	132	Hilti	.98	5.8	—	—	173	17	17	17
17	132	132	133	Hilti	.98	5.8	—	—	173	17	17	17
17	133	133	134	Hilti	.98	5.8	—	—	173	17	17	17
17	134	134	135	Hilti	.98	5.8	—	—	173	17	17	17
17	135	135	136	Hilti	.98	5.8	—	—	173	17	17	17
17	136	136	137	Hilti	.98	5.8	—	—	173	17	17	17
17	137	137	138	Hilti	.98	5.8	—	—	173	17	17	17
17	138	138	139	Hilti	.98	5.8	—	—	173	17	17	17
17	139	139	140	Hilti	.98	5.8	—	—	173	17	17	17
17	140	140	141	Hilti	.98	5.8	—	—	173	17	17	17
17	141	141	142	Hilti	.98	5.8	—	—	173	17	17	17
17	142	142	143	Hilti</								

12 Month High	Low	Stock	Div	Yld	PE	52s		100s	High	Low	Latest	Ch
						High	Low					
45.1	37.7	Realty	1.26e	.28	14	1951	447	44.8	44.6	44.6	-	-
26.4	24.1	RealtyCo	1.86	7.3	10	830	251	20.8	20.8	20.8	-	-
23	15	RealtyGp	.36	1.7	14	114	261	20.8	20.8	20.8	-	-
37	19	Republified	-	-	23	9408	233	23.3	23.3	23.3	-	-
127.1	83.1	Reuply	2.00	1.7	15	1568.0	150	19.5	19.5	19.5	-	-
12.5	10.5	RevCafe	-	-	49	87.9	87	87.9	87.9	87.9	-	-
50.7	42.1	RevCo	-	-	46	157.5	45	45.5	45.5	45.5	-	-
29.1	24.7	RevCo	2.6	1.7	10	266	213	21.3	21.3	21.3	-	-
50.3	29.4	RevCo	1.40	1.4	10	3447	225	41.1	41.1	41.1	-	-
41.1	31.1	RevCo	5.96	1.33	10	44.44	44.5	45.5	45.5	45.5	-	-
29.1	18.1	RevCo	1.16	1.6	10	623	28.9	28.9	28.9	28.9	-	-
29	12.9	RevCo	-	-	26	205	20.5	20.5	20.5	20.5	-	-
34.0	20.4	RevCo	.43	1.3	31	14412	33	37.6	37.6	37.6	-	-
45.3	23.3	RevCo	1.80	5.3	10	357	31	31.4	31.4	31.4	-	-
14.7	12.1	RevCo	.30	1.0	10	101	21.4	21.4	21.4	21.4	-	-
61	44.5	RevCo	1.97	1.0	10	474	46.5	46.5	46.5	46.5	-	-
19.1	6.14	RevCo	-	-	91	4.16	4.16	4.16	4.16	4.16	-	-
79.3	51.3	RevCo	-	-	1	913	95	95	95	95	-	-
101.1	70.1	RevCo	2.00	1.0	16	1604	160	100.5	100.5	100.5	-	-
24.9	18.5	RevCo	.60	2.9	10	292	20.5	20.5	20.5	20.5	-	-
20.9	12.4	RevCo	.22	1.1	16	265	20	19.5	19.5	19.5	-	-
34.7	20	RevCo	.24	1.3	10	172	29.9	29.9	29.9	29.9	-	-
21.1	11.1	RevCo	1.10	1.1	10	876	21.5	21.5	21.5	21.5	-	-
27	24.4	RevCo	1.25	1.2	10	101	101	101	101	101	-	-
35.9	25.4	RevCo	1.12	1.4	10	806	33.6	33.6	33.6	33.6	-	-
43.7	36.6	RevCo	-	-	16	432	28.9	28.9	28.9	28.9	-	-
9.9	6.8	PowerFm	1.21	1.3	20	292	0.59	0.59	0.59	0.59	-	-
9.9	5.9	PowerFm	-	-	12	1448	4.5	4.5	4.5	4.5	-	-
59.9	36.6	PowerFm	1.49	1.49	10	152	5.5	5.5	5.5	5.5	-	-
26.4	25.9	PowerFm	2.77	0.55	10	159	26.4	26.4	26.4	26.4	-	-
27.9	25.4	PowerFm	2.28	0.55	10	159	26.4	26.4	26.4	26.4	-	-
25.9	25.4	PowerFm	2.13	0.53	10	159	26.4	26.4	26.4	26.4	-	-
54.4	28.9	PowerFm	1.77	0.55	10	472	25.4	25.4	25.4	25.4	-	-
87.6	74.9	PowerFm	1.32	1.41	10	123	15.5	15.5	15.5	15.5	-	-
17.9	15.6	PowerFm	1.24	1.28	10	362	8.55	8.55	8.55	8.55	-	-
31.3	19.4	PowerFm	1.20	1.28	10	24.216	5.55	5.55	5.55	5.55	-	-
17.9	11.9	PowerFm	1.21	1.25	10	903	15.4	15.4	15.4	15.4	-	-
20.9	17.9	PowerFm	1.44	1.22	10	57	20.5	20.5	20.5	20.5	-	-
21.1	17.9	PowerFm	1.07	1.22	10	57	20.5	20.5	20.5	20.5	-	-
31.1	19.4	PowerFm	1.22	1.28	10	371	15.5	15.5	15.5	15.5	-	-
38.9	27.2	PowerFm	1.56	2.1	10	267	26.1	27.4	27.4	27.4	-	-
38.9	27.2	PowerFm	1.40	1.6	10	987	27.5	27.5	27.5	27.5	-	-
31.1	11.9	PowerFm	1.16	1.6	21	469	28	27.9	27.9	27.9	-	-
5-7-1												
79	47.6	SSB Com	1.86	2.5	47	6474	76	74.5	75.5	75.5	-	-
37.6	24.6	SSB Com	-	-	91	91	26.1	27.9	27.9	27.9	-	-
24.6	20.5	SSB Com	-	-	25	20.5	20.5	20.5	20.5	20.5	-	-
24.6	19.6	SSB Com	.24	1.1	92	22.4	22.4	22.4	22.4	22.4	-	-
99.6	51.6	SSG Tm	-	-	24	1731	77.6	75.5	75.5	75.5	-	-
27.9	25.6	SSG Tm	2.38	0.87	11	172	27.4	27.4	27.4	27.4	-	-
12.9	4.1	SSG Tm	.01	.1	4503	84	82	82	82	82	-	-
12.9	4.1	SSG Tm	.06	.1	17	222	12.7	12.7	12.7	12.7	-	-
50.9	31.4	SSP Tech	-	-	19	446	47.9	47.9	47.9	47.9	-	-
27.9	21.6	SSP Tech	-	-	21	110	24.5	24.5	24.5	24.5	-	-
25.9	25.4	SSP Tech	1.80	7.2	21	219	14.5	25.5	25.5	25.5	-	-
17	12.9	SSP Tech	1.72	11.9	21	240	14.5	14.5	14.5	14.5	-	-
37	23.9	SSP Tech	-	-	22	2117	33.9	31.9	31.9	31.9	-	-
37.6	16.8	SSQdSC	-	-	23	1581	36.5	35.5	35.5	35.5	-	-
29.9	14.6	SSQdSC	.36	1.3	25	2557	26.2	26.2	26.2	26.2	-	-
28	21.6	Snowway	-	-	21	1121	24.5	24.5	24.5	24.5	-	-
21.6	17.9	Snowway	.57	1.3	21	1121	24.5	24.5	24.5	24.5	-	-
54.9	26.4	Solidea	.17	1.3	21	2487	34.6	34.6	34.6	34.6	-	-
47.6	27.2	Solidea	.17	1.3	21	569	47.9	47.9	47.9	47.9	-	-
89.9	63	Solidea	2.00	2.3	22	5121	89.9	87.9	87.9	87.9	-	-
36.6	18.6	Solidea	-	-	22	1072	26	25	25	25	-	-
5.6	1.9	Solidea	-	-	22	323	14	19.5	19.5	19.5	-	-
47.6	27	SLIM Hld	5.56	1.1	15	15300	42	42	42	42	-	-
10.9	7.9	SLIM Hld	.09	0.7	15	15300	10.9	10.9	10.9	10.9	-	-
12.9	12.9	SLIM Hld	3.04	1.61	15	116	19.4	19.4	19.4	19.4	-	-
16.4	12.9	SLIM Hld	1.42	0.93	15	116	19.4	19.4	19.4	19.4	-	-
67.6	50.6	Solosol	3.48	5.4	15	310	63	61	61	61	-	-
109.6	74.9	Solosol	2.78	10.1	15	242	9	9	9	9	-	-
14.9	6.4	SOTER	-	-	23	2221	11.9	10.8	11.1	11.1	-	-
21.6	17.9	SOTER	1.94	9.5	23	1400	20.5	20.5	20.5	20.5	-	-
31	21	SOTER	1.03	10.8	23	1400	20.5	20.5	20.5	20.5	-	-
51.4	34.9	SOTER	3.00	10	14	2610	19.4	20.5	20.5	20.5	-	-
32.4	15	Sotepol	3.46	1.9	14	421	18.6	18.6	18.6	18.6	-	-
27.6	24	Sotepol	2.03	7.5	15	122	27.4	27.4	27.4	27.4	-	-
26.4	24	Sotepol	1.73	7.5	15	88	25.5	25.5	25.5	25.5	-	-
29.4	24	Sotepol	1.92	15	15	178	24.5	24.5	24.5	24.5	-	-
19.1	15.6	Sotepol	1.21	15	15	178	24.5	24.5	24.5	24.5	-	-
30	25	Sotepol	2.21	9	15	455	29.9	29.9	29.9	29.9	-	-
29.4	23.4	Sotepol	1.54	5.4	15	1430	20.5	20.5	20.5	20.5	-	-
12.9	12.9	Sotepol	2.2	21	21	532	11.9	11.9	11.9	11.9	-	-
85.6	44.9	Schemer	-	-	15	1696	61.4	60	60	60	-	-
34.9	24.9	Schemer	1.76	1.8	15	3107	76	75.5	75.5	75.5	-	-
34.9	24.9	Schemer	1.76	1.8	15	3107	76	75.5	75.5	75.5	-	-
13	11	Schemer	1.76	1.8	15	3107	76	75.5	75.5	75.5	-	-
44.9	24	Schemer	1.6	1.4	15	7303	36.5	37.9	37.9	37.9	-	-
34.9	23.9	Schemer	1.6	1.4	15	670	33.9	33.9	33.9	33.9	-	-
39.9	17	Schemer	1.6	1.4	15	171	20.5	20.5	20.5	20.5	-	-
34.9	23.9	Schemer	1.6	1.4	15	171	20.5	20.5	20.5	20.5	-	-
53.6	38.1	Schemer	1.06	1.3	15	715	17.6	17.6	17.6	17.6	-	-

12 Month High	12 Month Low	Stock	Div	Yld	PE	52 Wk High	52 Wk Low	Low Lsited	Ch	
214	773	Stel			33	279	104	104	+10%	
114	504	StereoP	.88	8.5	33	120	107	105	+10%	
474	212	Sizzler			23	112	57	57	+10%	
21	21	Skyline	.40	1.9	16	100	93	93	+10%	
257	16	SmartFin	.30	10	67	163	191	185	+19%	
233	23	SmartGO	.68	16	212	425	375	375	+20%	
627	24	SmartG	.40	10	67	616	571	571	+20%	
277	24	SmartH	.208	43	18	110	95	95	+20%	
30	16	SmartK	.52	19	22	128	125	125	+24%	
445	35	SmartOn	.84	20	17	1905	1725	1725	+22%	
43	194	SmartOnCn			7	4288	4142	4031	+1%	
26	15	SmartOnD	.26	14	7	1212	1215	1215	+1%	
674	50	Spectrum	1.456	34		160	474	474	+5%	
204	25	Spectator				165	75	75	+5%	
25	25	Spectra/WG				165	75	75	+5%	
21	21	Spectr				165	75	75	+5%	
484	224	Spectr				562	283	283	+5%	
257	187	Spectr a	.04	1		5110	993	993	+5%	
597	38	Spectr	.104	2.5		3624	285	273	+7%	
13	94	SpectrA	1.08	2.5		543	433	423	+7%	
397	26	SpectroC	.77	19		1443	39	35	+3%	
1029	638	SpectroC	.476	26		901	614	614	+6%	
211	10	SpectroC	.144	2.5		973	205	205	+6%	
18	10	SpectroC	.144	2.5		973	205	205	+6%	
65	21	SpectroC	.06	16		627	54	54	+6%	
187	115	SpectroC	2.01	20.5		199	142	142	+16%	
264	197	SpectroCo	1.341	5.4		17	945	2494	2494	+24%
665	35	SNETel	1.5			21	1547	675	675	+13%
22	94	SpedFog				7	2347	1544	1544	+13%
211	120	SpenuC	1.146	8.8		6	203	125	125	+13%
345	142	SPSU	.24			21	629	297	297	+13%
174	104	SPSU	.40			31	115	115	115	+13%
33	184	SpunEnt	.40			23	115	115	115	+13%
22	100	SpurSS	2.16	73		15	213	229	229	+29%
194	114	Spain	2.78	127		21	161	162	162	+17%
277	20	Spanch	.24	1.3		30	181	181	181	+24%
994	79	Spanch				814	94	94	+9%	
429	324	Spanher	2.288	7.7		19	3619	4049	3974	+3%
24	100	Spanher	2.38	7.7		29	115	115	115	+10%
254	224	Spanher				27	225	225	225	+10%
217	104	Spanher				10	917	814	814	+8%
576	20	Springs	1.32	2.4		14	1976	1244	1244	+12%
644	417	Spri	1.00	1.5		30	1373	745	636	+14%
186	144	SpriCn				8	81	151	151	+15%
186	144	SpriPoc	.16	1.5		21	2383	1776	1776	+17%
254	204	SpriR	.45	2.1		21	161	161	161	+24%
57	244	SpriSlandex	.76	24		15	419	216	216	+24%
354	224	SpriSlandex	1.12	29		25	229	314	314	+29%
474	252	SpriSton	1.00	1.7		13	1310	847	454	+47%
594	38	SpriSto	.80	14		27	922	701	636	+14%
186	914	SpriSto				29	429	94	94	+8%
611	212	SpriSto				10	917	547	547	+10%
6340	214	SpriSto	1.92	14		19	1975	1244	1244	+12%
216	174	SpriSto	.48	8		16	1626	4259	4116	+61%
145	614	SpriSto				32	3254	1916	1916	+10%
354	32	SpriSto				13	1316	149	149	+14%
2774	154	SpriSto				25	2592	35	35	+11%
4477	224	SpriSto				56	56	56	56	+11%
3214	184	SpriSto	.28	1		56	1319	2778	2665	+27%
1704	94	SpriStoC				52	52	52	52	+10%
374	224	StoEn				14	175	371	371	+37%
704	254	StoEn				49	342	344	336	+34%
277	224	StoEnR	1.84	7.1		17	502	251	248	+25%
174	114	StoEnR	1.07	8.7		17	502	251	248	+25%
151	104	StoEnR	.20	1.4		31	4268	1248	1248	+12%
254	244	StoEnR	.20	1.4		27	672	471	471	+40%
2294	144	StoEnR	.40	4.0		56	56	204	204	+20%
200	154	StoPm	2.00	11.0		23	417	184	184	+18%
6549	244	StoR				51	666	654	649	+6%
527	104	StoR	1.08	2.8		24	3449	4049	3974	+3%
38	304	StoR	1.59	24		25	121	249	249	+24%
4424	244	StoR	1.00	2.5		24	2465	4049	3974	+3%
374	244	StoR	1.00	2.5		16	417	364	364	+1%
614	414	StoR	.98	1.8		165	478	478	478	+1%
244	244	StoR	2.08	7.9		17	2007	1949	1949	+1%
454	244	StoR	1.00	2.5		21	4071	454	454	+1%
48	314	StoR	1.59	2.19		163	478	478	478	+1%
244	247	StoR	2.05	8.0		21	197	2616	2616	+1%
200	274	StoR	.06	1.1		31	4719	478	478	+1%
244	214	StoR	.40	4.0		20	2009	2717	2717	+8%
214	214	StoR	.48	1.1		16	1994	4138	4008	+1%
25	204	StoR				22	2251	354	3434	+3%
164	94	StoMed				49	187	15	148	+10%
174	94	StoMin				2969	158	158	158	+1%
225	224	SousR	1.80	18		19	94	2575	2575	+25%
114	114	SousR	1.11	11		19	94	2575	2575	+25%
754	446	SousR	1.00	1.4		24	1501	1740	1740	+14%
214	124	SousR	1.00	1.4		16	1418	3174	3078	+11%
324	224	SuperEn	.28	1.9		16	1361	3398	3398	+39%
384	154	SuperEn	0.9	2.6		16	1361	3398	3398	+39%

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## Targeting Brokerages Before They're Targeted

By Barbara Wall

**A**QUISITIONS OF U.S. retail brokerage houses by banks and larger securities firms have been increasing steadily since the mid-1990s, and indications are that more may be on the way.

But investors will have to hurry if they want to capitalize on the investment opportunities in the sector, as some analysts have surmised that any remaining deals will have to be finalized within the next six to nine months in advance of the year 2000.

The acquisition by the retail brokerage Dean Witter, Discover & Co. of the more institutional Morgan Stanley Group Inc. last year fueled industry speculation that the independent PaineWebber Inc. might have to form some kind of alliance.

"There is no doubt that many U.S. brokerages would prefer to retain their regional franchises and continue in profit without giving up their independence," said Burton Greenwald, director of B.J. Greenwald Associates, a Philadelphia-based "financial" services consulting firm.

"But if they want to be global players," he added, "they may be forced to consider a merger, if only to raise funds for further expansion."

Mr. Greenwald said that the logical candidates for acquisition include PaineWebber, Bear, Stearns & Co., and Lehman Brothers Inc. "Many of the international banks are looking to broaden their retail distribution base and expand their product mix," he said. "It is those brokerages with a strong asset-management capability and investment banking arm that are widely seen to be vulnerable to takeover bids."

**G**EOFFREY BOBROFF, president of Bobroff Consulting Inc., a business consultancy for the money-management industry, said that if Goldman, Sachs & Co. were to follow Morgan Stanley's lead and join with a brokerage with a retail distribution capability, PaineWebber would be the obvious choice.

As one of the main shareholder's of PaineWebber's stock, Fidelity Investments may also be interested in acquiring control in order to improve its market position, he added.

The other brokerage firms that are rumored to be potential candidates for acquisition include the regional concerns Legg Mason Inc., A.G. Edwards Inc., and Raymond James Financial Inc.

None of the three may be able to survive without the economies of scale into which their larger competitors can tap, especially in the area of computers, where the Year 2000 problem is an expensive consideration.

Mr. Bobroff said domestic and international banks would seek to acquire these companies, "provided the stock valuations continue to look attractive."

"Legg Mason has a good investment-banking operation and asset-management capability, which will attract interest from international buyers," Mr. Greenwald said.

"A.G. Edwards is also a top-quality player with a small money-management capability and could be of interest to a domestic bank," he added, "though the company's chairman, Ben Edwards, has stated that he is not interested in the company being acquired. Raymond James, meanwhile, has a very strong distribution network by virtue of its financial-planning subsidiaries and could attract bids from both domestic and international banks."

Moody's Investors Service said last week that acquisition of securities firms by U.S. commercial banks was a good way for them to get into the underwriting business and maintain their relationships with important clients. It said the risks are limited because the transactions have been "relatively small, compared with the banks' capital and earnings."

Jeffrey Chen, a research analyst for DataMonitor in New York, said he expected many of the independent on-line discount brokerages to be acquired.

"Until recently, full-service broker-

age firms have been reluctant to move on-line for fear of cannibalizing their existing customer base," he said.

However, due to high customer demand, many of these firms now look at Internet trading as a service they must offer in order to remain competitive."

"In developing an on-line trading program," he added, "two distinct strategies appear to have emerged: The first option is for an off-line brokerage firm to purchase an on-line brokerage firm, as seen in the acquisition of Lombard Brokerage Inc. by Dean Witter, Discover & Co. The second alternative is for a brokerage house to develop an automated trading program from the ground up, as done by Merrill Lynch."

Mr. Chen said that among the prime acquisition candidates are E\*Trade Group Inc. and Ameritrade Holdings Corp. "Both players have pursued a very aggressive advertising campaign and have experienced a huge surge in their stock price in recent months," he said.

**T**AKEOVER ACTIVITY presents investors with a tremendous opportunity for investment gains. With most financial-services stocks having already appreciated, however, there is a limited scope for further big gains.

"There are investors who will buy stock on the strength of a possible merger taking place," Mr. Bobroff said.

"To a certain extent, this knowledge is written into the share price, but the acquirer will still have to pay a premium for the stock. It would not be unrealistic to expect the stock price to increase by between 20 percent to 25 percent if a merger or acquisition did go ahead."

There has been a flurry of merger activity in the European financial services industry in recent years, and the few remaining independent publicly quoted brokerage houses are largely based in Britain.

The companies considered most susceptible to takeover bids are those that concentrate solely on private client business. Players in this category include Brewin Dolphin Holdings PLC, Gerrard Group PLC — which includes the brokerage Gerrard Vivian Gray Ltd. — and BWD Securities PLC.

"Independent private-client brokerages in Britain are currently trading at discounts of around 25 percent to the market, with yields of between 3 percent and 5 percent," said an Edinburgh-based analyst who works for a large international bank and asked not to be identified. "If I was a private investor with a £100,000 investment portfolio, I would consider investing £10,000 in at least one of the three larger brokerage houses. My first choice would probably be Brewin Dolphin."

"It would have to be a long-term investment, however, as these companies are not traded frequently," he added. "And if the market was to suffer a downturn, it might be difficult to bail out."

**N**OT EVERYONE is bullish on this sector. Simon Davies, an investment manager with Berry Asset Management in London, said that it would be folly to buy a brokerage on the expectation of making a huge profit.

"A brokerage is a fairly risky investment and many analysts have said that the stock prices are already way too high," he said. "There is the problem of liquidity. If you are holding the investment for the long term, you have to be reasonably satisfied that any merger will actually add something to the company. There is no evidence to suggest that the merger between Gerrard Vivian Gray and Greig Middleton, for example, has improved services and the profitability of the new company."

"For every successful merger story in the money-management industry," he added, "there is usually at least one failure."

David Poutney, a financial services analyst with Panmure Gordon & Co. in Manchester, England, said that he would certainly not recommend a British brokerage to investors now.

"The best private-client brokerages were snapped-up years ago, and the ones that are left are not even on the radar screen," he said. "Those investors who are tempted to buy one of these highly geared plays, when the market is clearly at the top of its cycle, frankly need their heads examined."

## Investing in Investors While You Still Can

By Andrew Blum

**P**UBLICLY TRADED asset managers are a vanishing breed, being obvious takeover targets for banks and brokerage houses that want to expand their offerings or retail systems. With only a few dozen companies left in the industry, investors may want to place their bets on some of these stocks before it is too late.

About half of the remaining managers are in the United States, and most of the rest are in Britain and Canada. Asset managers with less than \$100 billion seem to be the most vulnerable to takeovers because they are too small to remain independent.

One of the biggest remaining American managers is T. Rowe Price Associates Inc., which has more than \$200 billion under management. It maintains that it is not for sale, but is often mentioned as a takeover target.

"We would like to remain independent," a company spokeswoman said. "It's in the best interests of the firm and shareholders." She attributed sale rumors to the fact that "there are so few public companies and there is consolidation going on and we're one of the largest mutual-fund companies."

United Asset Management Corp., which is not generally seen as a takeover candidate because of its multiple affiliates, just saw the value-investing guru Michael Price double his stake, to 10 percent. Through a spokesman, Mr. Price, whose own management company, Heine Securities Corp., was acquired in 1996 by the larger Franklin Resources Inc. for \$600 million, said the UAM stake was for investment purposes.

But Larry Sondike, senior vice president of Franklin Mutual Advisors, Mr. Price's division, said UAM would be an attractive property for someone to take over, especially if a company wanted to get into institutional money management, which is a big part of its business.

The company could go for "a very high premium," he added.

A UAM spokesman said, however, that the company was not for sale.

Given such developments, identifying who is to be acquired next depends on whom you ask.

"The whole world is a candidate — at a price," said Neil Epstein of Putnam, Lovell & Thornton, a San Francisco-based financial firm that specializes in mergers and acquisitions of money managers.

If T. Rowe Price were to be bought, he estimated that it would be for a price of 10 to 15 percent above its \$4 billion market capitalization.

Geoff Bobroff, president of Bobroff Consulting Inc., said there had been constant rumors of a T. Rowe Price sale. If it were to be sold, he said, it would fetch a higher price than Mr. Epstein calculated.

"I believe to convince T. Rowe Price to sell, you might see a market premium of 30 percent to 40 percent," Mr. Bobroff said.

High Yield Analytics Inc. of Chicago, which analyzes spin-offs, noted that stock in publicly traded asset managers in the United States traded at 20 to 25 times expected annual earnings. T. Rowe Price currently is near the top of that range.

In recent years, the deals have been many. According to Putnam, Lovell, in 1996 and 1997 there were 97 money-management industry acquisitions, of which 27 were by public companies.

Putnam, Lovell has handled such deal as the \$1 billion Pimco-Thomson Advisory Group transaction and the \$600 million New England Investment Cos.-Reich & Tang takeover. In 1997, it advised Montgomery Securities to sell its asset-management business to Germany's Commerzbank AG, one of several German banks buying U.S. private money managers.

"We are going through a period of

### Get Them While They're Hot

#### Selected publicly traded asset managers

Manager	Ticker	Country
Administradora de Fondos de Pensiones	(PROVIDA)	Chile
Provida SA	(ADR PVB)	U.S.
Alliance Capital Management	(AC)	Britain
Amvescap PLC	(AVZ) (ADR AVZ)	Canada
BPI Financial Corp.	(BPI)	U.S.
Bull & Bear Group	(BNBGA)	Australia
Colonial Ltd.	(CGH)	Canada
Dundee Bancorp	(DBC)	U.S.
Eaton Vance Corp.	(EV)	Israel
Evergreen Canada-Israel Investments Ltd.	(EVER)	U.S.
Exeter Investment Group PLC	(EGI)	Britain
Franklin Resources Inc.	(FBN)	Canada
Friends Ivory & Sime PLC	(FIS)	U.S.
Investors Group Inc.	(IGI)	Britain
M&G Group	(MGM)	Canada
Mackenzie Financial Corp.	(MKF)	U.S.
Mansion House Group	(376)	Hong Kong
New England Investment Cos.	(NEW)	U.S.
John Nuveen & Co.	(JNC)	U.S.
Perpetual PLC	(PER)	Britain
Pimco Advisers Holdings LP	(PA)	U.S.
Phoenix Duff & Phelps Corp.	(DUF)	U.S.
Pioneer Group Inc.	(PIOG)	U.S.
T. Rowe Price Associates Inc.	(TROW)	Hong Kong
Regent Pacific Group Inc.	(575)	Britain
Savoy Asset Management PLC	(SMN)	U.S.
United Asset Management PLC	(UAM)	U.S.
Value Line Inc.	(VALU)	U.S.

agement and is now owned by Torchmark Insurance Co., Mr. Bobroff said. He also mentioned Kansas City Southern Industries Inc.'s plans to divest its mutual-fund division, which owns the Janus and Berger funds.

In other countries, there is action as well, Mr. Bobroff said. Henderson PLC, a British company traded on the London Stock Exchange, has entered into an agreement to be acquired for more than \$600 million by AMP Asset Management Ltd., an Australian-based fund management and insurance company. Henderson manages about £14 billion (\$22.9 billion).

Of the remaining independent fund-management groups in Britain, Perpetual PLC, M&G Group PLC and Edinburgh Fund Managers are rumored to be in line for acquisition.

This week, the price of Perpetual stock exceeded £32 for the first time, yet, according to observers, Perpetual's operating fundamentals are poor.

An analyst who follows the sector said Perpetual was under pressure to cut its fees, which are at the top end of the sector's range. This will undoubtedly put a strain on its profit margin, he added, but the expectations are that Perpetual will be bought and that the share price will move higher as a result.

M&G also has problems. In recent years, its market share of unit trust funds has dropped from 11 percent to 3 percent. But it is rumored that Abbey National PLC may be interested in acquiring the fund-management group. Abbey National has set up a wealth-management division, and in a recent statement, the bank cited plans to increase exposure in this area via an unspecified strategic alliance.

Edinburgh Fund Managers has largely been ignored by the industry, but one Edinburgh-based analyst said that with £7 billion in funds under management and steadily improving investment performance by the group, it will likely be the target of a takeover bid within the next 18 months.

The rating of Edinburgh Fund Managers is way below the average of other quoted groups in this sector, largely because of its poor investment performance in the past few years," said the analyst, who asked not to be identified. "But the group will inevitably attract interest from a domestic or international bank that is looking for new distribution channels."

In Asia, the purest fund-management investment is Hong Kong's Regent Pacific Group Ltd., which in recent years has made most of its money investing in the booming markets of Eastern Europe. With \$2.3 billion under management, its list of offices worldwide indicates the company's strength: Almaty, Kazakhstan; Barbados; Bucharest; Hong Kong; Isle of Man; Kiev; London; Moscow; Tokyo and Warsaw.

Bearish on Hong Kong since 1994, Regent was finally vindicated late last year. It calls recent gains in Hong Kong and China a "sucker's rally," is short in many other Asian markets and for the moment is picking up cheap, hard assets in Asia on the theory that currencies in the region will eventually recover.

This week, Regent paid \$10 million for 22 percent of South Korea's Daeyu Securities Co. and it has also purchased 300 new, unoccupied apartments in Indonesia for \$4 million. At \$13,300 per apartment, the purchase could be a seller of a lifetime — unless Indonesia devalues.

Regent's stock soared after it listed in May. Since the crash in Hong Kong in October, the stock has fallen despite consistent share buy-backs by the company. Regent stock is now at 2.35 Hong Kong dollars (30 cents) down 8.7 percent from its issue price.

Hong Kong's other listed fund manager is Mansion House Securities Ltd., but this company also does brokerage and custody business. Like several other

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## Risks Outweigh Rewards in Insurance Shares

By Aline Sullivan

**F**OR AN INDUSTRY that in the past has defined the word staid, the recent frenzy in insurance company stock prices has gotten out of hand, analysts said, and they warned investors to steer clear of this highly valued industry because it is facing the prospect of lean times.

Premium rates in most lines of insurance are deteriorating, according to Christie Brockbank Shipton, an agent for members of Lloyd's of London. At the same time, some of the biggest players will be struggling for months to digest recent acquisitions.

At present, however, share prices continue to be supported by investor speculation that consolidation will accelerate. Small- and medium-sized companies everywhere are being winnowed out by those able to offer global services to their increasingly international clients.

Elizabeth Farrell, senior financial analyst at A.M. Best in New Jersey, expects consolidation to continue.

"With more than half the property/casualty industry controlled by the top 20 insurance groups, the remaining businesses must be shared by the other 1,100-plus insurance organizations," she said. "That creates a very competitive market."

That trend has been good news for companies whose potential as bid targets has disrupted investors from their exposure to discouraging market conditions. For example, shares in several Swiss companies, such as Helvetia-Patricia Holding, Baloise Holding Ltd. and Schweizerische Lebensversicherungen-und Rentenanstalt, surged in recent weeks as investors identified them as possible takeover targets.

But some analysts warned that much of this potential has long been priced into the shares. If that is the

case, there does not seem much reason to hold the stocks. Each of the three companies is considered too small by industry analysts to survive long on its own.

As takeover frenzies go, this insurance version has

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## INTERNATIONAL FUNDS

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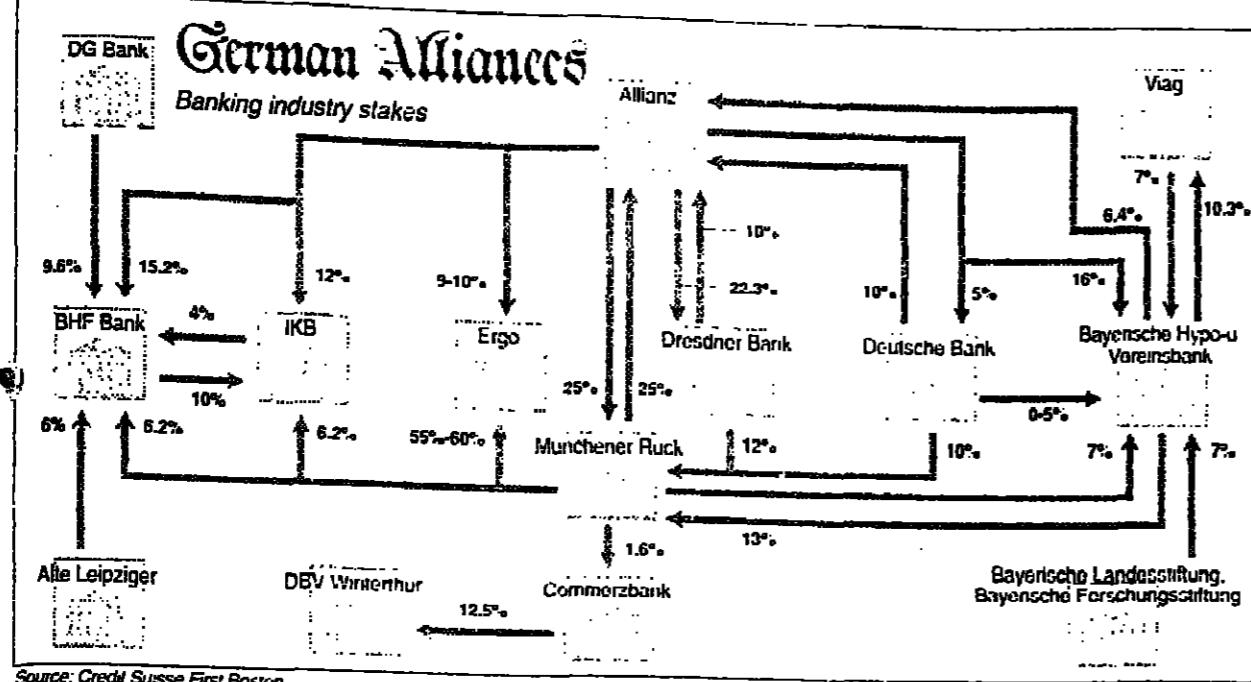
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## THE MONEY REPORT



Source: Credit Suisse First Boston

Illustration of Herald Tribune

## Banking on a Merger-Mania Outbreak

By Judith Rehak

**Y**OU NEVER know where the next bank takeover will pop up, but investors seeking to buy shares in advance of a takeover might first look to Europe, where merger mania is reaching a fever pitch, propelled by the looming economic and monetary union.

The planned merger between Union Bank of Switzerland and Swiss Bank Corp. would create the second-largest bank in the world. In Britain, share prices of Barclays PLC and National Westminster Bank PLC leaped, then slipped, on rumors and denials of a possible marriage. And "Italy is a madhouse," said one analyst, referring to the wave of speculation sweeping Italian bank stocks, an index of which is up 23 percent this year.

Even traditionally staid markets have become infected. In a major surprise, Canada's two largest banks, the Royal Bank of Canada and Bank of Montreal, announced in January that they want to join forces, making them the second-biggest entity in North America. They hope to ward off predators from the United States and expand their global reach.

By contrast, the U.S. banking sector, where consolidation has been under way for several years, is a pool of tranquility. That said, last week the blue-chip bank J.P. Morgan & Co. in effect put itself on the block by announcing that it would consider a merger. In the U.S. market, banks remain one of the best ways to make money.

Italy, with too many banks for too few customers, is arguably the scene of the most frenetic activity right now. The pending merger between the securities-based Istituto Mobiliare Italiano and Istituto Bancario San Paolo di Torino, the country's largest commercial bank, has spawned so many potential combinations that it has players reaching for their scorecards.

"It's just a harbinger of what's to come," said Bryan Crossley, a banking analyst with ABN-AMRO Holding NV. His recommended list includes Banca Commerciale Italiana S.p.A., which has been unsuccessfully courting merger partners.

"It is still the case that it has to do a deal, because everybody else has done one, and it has fallen behind its main rival, Credito Italiano, which acquired a bank two years ago and has gained critical mass and cut costs," said Mr. Crossley.

The prevailing wisdom, he added,

was that Mediobanca SpA was the most likely partner. But Mr. Crossley declined to contribute to the bidding fever by predicting a future price for BCI.

"Its share price has already gone up a lot, but there's more that hasn't, and not just in Italy," he said. "If you value banks on traditional valuation criteria, you have to wonder how investing at this level could be sensible, but then you would have been saying that six months ago."

In Germany, another country with an abundance of banks and fragmented market share, takeover speculation is rampant. Opinions vary widely as to who will do what with whom and when, but most analysts agree that Commerzbank AG, the country's third-largest bank, is a prime takeover target. Mark Hoge, senior bank analyst with Credit Suisse First Boston in London, cited several reasons why.

"It's a high-quality bank with a strong retail and commercial banking franchise in Germany, but not a well-developed asset-management or investment-banking expertise," he said.

A partner with strength in those two areas would make a good fit, he said, but equally important, Commerzbank has no shareholder with more than 5 percent stake. This is a crucial point in Germany, Mr. Hoge explained, where a tangle of cross-holdings among banks and companies could block a takeover attempt. He noted, for example, that Allianz, the big insurance company, has a hefty 23 percent stake in Dresdner Bank, the country's second-largest financial group.

Commerzbank shares traded Friday at 65.7 Deutsche marks (\$36.50). To estimate a takeover price, Mr. Hoge uses a formula that takes the book value of the stock, plus value of hidden assets, and doubles that to reach, for Commerzbank, a purchase price of around \$80.00.

"And that's at the low end," he said.

In the United States, meanwhile, much of the action has shifted to small banks. The John Hancock Bank & Thrift Opportunities Fund racked up a stellar 62.6 percent return last year by buying mostly takeover targets, few of them household names.

Tom Finucane, who co-manages the closed-end fund, likes Firststar Corp., a bank in Milwaukee, Wisconsin, that also operates in Iowa and Minnesota, and is seen as a takeover target by a larger bank in the region. At its recent price of \$42 a share, he said, "it's a bit expensive, but an acquirer would pay a premium to that."

In another strategy that has produced some of the fund's most profitable plays, he has uncovered savings and loan associations like S.I.S. Bancorp. A troubled Massachusetts thrift in the early 1990s, S.I.S. converted to public ownership in 1994, brought in new management, and addressed their bad loans.

"They turned a sleepy S&L into a healthy consumer bank," said Mr. Finucane.

It now stands a good chance of being acquired by a larger Connecticut or Massachusetts lender, he said.

Even larger American banks could qualify for merger, according to some analysts. Gerald Cassidy of Tucker Anthony Inc., in Portland, Maine, is focused on thriving regional banks that have snapped up competitors, and declared their independence. So why would they be targets?

"The market is very unforgiving," he said. "If they stumble and earnings aren't up to expectations, they could become takeover candidates."

His buy list includes PNC Bank of Pittsburgh and BankBoston Corp., a major player in Latin America.

What of banks in Asia, staggering under the region's financial crisis?

One of the few places where you can currently buy a merger prospect at a depressed price is Singapore. Bank shares are still 20 percent to 30 percent below their pre-crisis levels, and 1997 profits at its six major banks are expected to be down about 30 percent, although they remain financially strong.

Nevertheless, the entire group was boosted by the announcement in January that the two smallest of the top players, Keppel Bank and Tat Lee Bank, would merge. Lim Beng Eu, who follows the sector for Vickers Balass Investment Research, said he expects more deals among the largest banks over the next 12 months.

"But it's not because of risk of bank failure, and it's not precipitated by the Asian currency crisis, although it is timely," he said. "The banks need to build up their capital base to increase their competitiveness, in line with the global trend to consolidate."

He would not say who the likely partners would be.

"It's anybody's guess as to who merges with who, but the bigger ones, Development Bank of Singapore and Overseas Chinese Bank, will still be there at the end of the day," he predicted.

The other leading banks are Overseas Union Bank Ltd., United Overseas Bank Ltd. and the proposed Keppel-Tat Lee merger.

## Investing in Investors While You Can

Continued from Page 15

brokers in Hong Kong, Manulife's stock soared last year as Hong Kong developed an insatiable appetite for Chinese "red-chip" stocks.

Then, when the market crashed in October, so did brokerage stocks. Manulife peaked at 3.85 Hong Kong dollars in September, but has now settled back to 95 cents, which is just slightly more than it had been trading from 1995 until early last year.

Another large broker with a fund-management business, Tai Fook Group Ltd., went public in the midst of the red-chip craze. But again, fund management is only part of the business that an investor buys when acquiring Tai Fook stock.

Brokerage stocks in Hong Kong were dealt a further blow in January when CA Pacific Securities Ltd. went bankrupt. CA Pacific, 41 percent owned by Hong Kong's listed but now suspended Capital Asia Ltd., had advanced too much money to customers through its money-lending affiliate, Money.

lenders in Hong Kong are not subject to regulation by the local securities watchdog, so shares in small brokers took big hits as investors became increasingly nervous over the safety of their money.

In Australia, you can invest in Colonial Ltd., which, although it manages funds and does it well, is primarily a bank and an insurance company. As good as the returns on the funds under management, the bulk of the firm's earnings are derived from other activities.

Andrew Keaman, an analyst at Merrill Lynch Global Securities in Sydney, likes the company, but figures that it is now fully valued. He rated it neutral/accumulate, and added, "I wouldn't be touching it personally."

There are some fund managers in Canada, but there has not been much consolidation in that market. Mr. Bobroff said one reason is that about a third of the country's mutual fund market is controlled by the utility Power Corp. of Canada.

Mackenzie Financial Corp. stands out because it has funds in the United States as

well as in Canada, managing a total of about 26 billion Canadian dollars (\$18.5 billion) worth of assets.

In Chile, Administradora de Fondos Pensions Provida SA is a company with good prospects and American depositary receipts, but an unlikely takeover candidate, according to Yovanna Bylander, who follows the company for Morgan Stanley, Dean Witter, Discover & Co. and said it has an excellent growth outlook.

"We're very bullish on Provida," she said. The company has slightly more than \$6 billion in assets under management, the bulk of that in Chile, where it is the largest

pension-fund manager. It also has 20 percent equity stakes in pension funds in Mexico, Colombia and Peru.

In Chile, she said Provida is expected to benefit from consolidation in the pension-fund business as smaller companies cannot keep up. In that case, Provida looks to add individual contributors, as fees are based on salary — not assets managed.

Ms. Bylander said Provida, which went public in 1994, is strong enough not to be acquired, adding, "It's not an easy animal to take over."

Philip Segal and Barbara Wall contributed to this article.

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## Chaplin Should Have Stayed Silent

**O**N THE evening before the 1929 stock market crash, Charlie Chaplin was having dinner with Irving Berlin, the songwriter, which had \$5 million invested in the market, which had soared 37 percent in 1927, 44 percent in 1928 and was up 28 percent in the summer months of 1929 alone.

"Berlin was ebullient about the market's prospects," writes Martin Fridson, telling the story in his fine new book, "A Very Good Year: Extraordinary Moments in Stock Market History."

Chaplin was not. The actor was trying to convince Berlin to sell all his stocks and take his profits, as Chaplin himself had just done.

"Owning stocks was unwise," Chaplin told his friend, "when unemployment stood at 14 million."

But Berlin would not listen.

This story may make Chaplin seem like an investing genius, but he was not. The truth is 14 million Americans were not unemployed, but, at just 3.2 percent. In fact, never in U.S. history have 14 million people been out of work.

It was only in 1933, in the depths of the Great Depression that unemployment, at 13 million, came close to Chaplin's number, in that year, the market rose 4 percent.

This delectably ironic story points out the existential nature of investing: it does not matter whether you are wrong about the reason, as long as you are right about the action.

But, in a more practical sense, it provides an important lesson: it's extremely difficult to tell what the market, or even individual stocks, are going to do in the short term. Even people who appear to be right about the future, often just stumble into the correct answer.

For this reason, I have always been a buy-and-hold investor. In fact, I believe Berlin's approach was right and Chaplin's wrong.

Let's assume that Berlin began investing with \$2 million at the start of 1926. By the time of the crash, he had about \$5 million. Using statistics from the Standard & Poor's 500-Stock Index (a good proxy for the U.S. market as a whole) and analysis by Ibbotson Associates, the Chicago research firm, I calculate that, if Berlin had a broad-based portfolio, he would have just \$1.3 million at the end of 1922, a loss of 74 percent from the peak in 1929.

But by February 1937, he had recouped all of those losses and was back to \$5 million. By 1945, his portfolio was worth \$7.9 million; 10 years later, \$37 million. By his death in 1989 at the age of 101, Berlin would have seen his \$2

million grow to \$1.1 billion!

Remember the Chaplin-Berlin story, when you have the urge to sell your stocks because you think they are about to fall because of unemployment or anything else.

## WORLD ROUNDUP

## Swede Keeps Lead

**GOLF** Robert Karlsson of Sweden shot a 6-under-par 66 Friday to increase his lead to three strokes after the second round of the Desert Classic in Dubai. Karlsson has a 13-under-par total of 131. Ernie Els, who shot a 63, and Ignacio Garrido were tied for second at 134. Two strokes back tied for fifth was Seve Ballesteros, after a second straight 68. (Reuters)

## Kafelnikov Survives

**TENNIS** Yevgeni Kafelnikov, the No. 3 seed, reached the semifinals of the London indoor tournament Friday with a 4-6, 6-4, 6-2 victory over slumping Tim Henman. Henman held a break point at 4-4 in the second set, but after he failed to convert it he won only two of the remaining 10 games. (AP)

## Pakistan Holds Edge

**CRICKET** Shaun Pollock and Allan Donald, two fast bowlers, added 53 runs for the last wicket Friday to carry South Africa to 231 in its first innings on the second day of the second test against Pakistan in Durban. Shoaib Akhtar, a 22-year old fast bowler, took five wickets for 43 runs. Pakistan, which led by 28 on the first inning, scored 11 without loss by the close.

• Matthew Horne and Nathan Astle made centuries as New Zealand reached 441 for nine wickets in its first innings against Zimbabwe in Auckland, a lead of 271. (Reuters)

## NFL and Players Set Deal

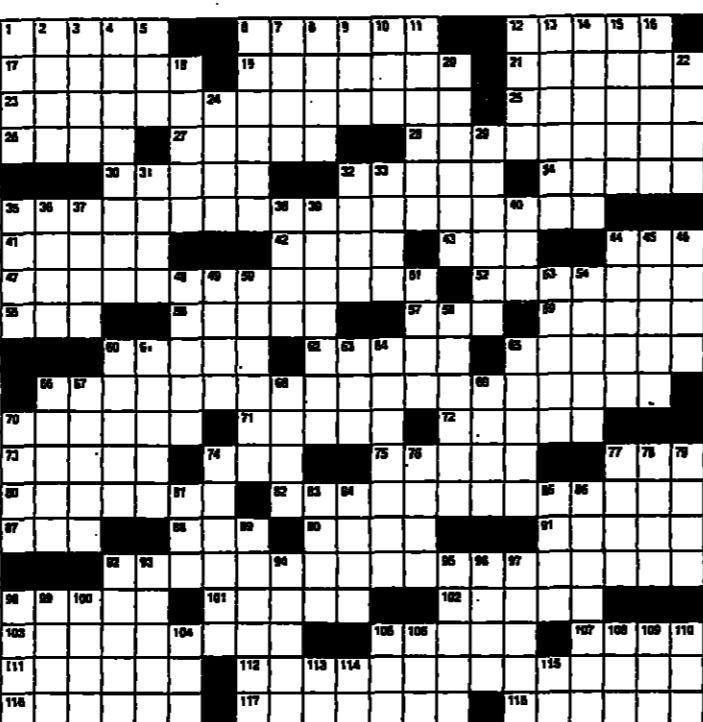
**FOOTBALL** The National Football League and its players, after months of intense and sometimes nasty negotiations, agreed Thursday in principle to an extension of the collective bargaining agreement through the year 2003. The deal extends the salary cap to 2002. It has to be approved by a majority of players and by three-quarters of owners. (NYT, WP)

## Red Wings Keep Fedorov

**ICE HOCKEY** The Detroit Red Wings on Thursday matched the Carolina Hurricanes' \$38 million, six-year, contract offer for Sergei Fedorov, who had refused to play for Detroit this season under his existing contract, returned to the team Friday. (AP)

## POETIC INJUSTICE By Cathy Millhauser

**CROSS**  
1 Displaces  
6 Atomic  
12 Louly ones  
17 Portuguese city  
19 Battens a  
Sable...Ford:  
21 Mercury  
23 Poet's outlook  
25 Fighting force  
26 Good earth  
27 Grab  
28 Poet's favorite  
30 Objective  
32 Many people sit  
around  
34 With 68 Down,  
"Home" actress  
35 Shakespearean  
couplet  
description?  
41 Did derbies  
42 Derbies  
43 Rest of the  
couplet  
44 Ebon  
47 What one gets  
reading poetry?  
52 Pea  
55 Iranian city  
58 General  
assemblies  
57 Meal starter  
58 Don't waste  
60 Sans nuts, e.g.  
62 "Tara's Bulb"  
author  
65 Tamper-  
resistant  
68 Result of poetic  
license?  
70 Crows  
71 Stand for Steen  
72 "Clen" director  
Peter  
73 Too hot for rots  
74 "Brain Trust"  
Prez  
75 Bats  
77 Hi-fi buys  
80 Subculture in  
soccer  
82 What a  
disaffected  
Japanese poet  
might become?



## SPORTS

## New Coach For Rangers Starts Off With Victory

The Associated Press

With Wayne Gretzky on top of his game, John Muckler came out on top in his coaching debut with the New York Rangers.

"Wayne Gretzky was just amazing," Muckler said after the Rangers' 5-2 vic-

## NHL ROUNDUP

tory over the Toronto Maple Leafs on Thursday night.

Gretzky, the NHL's career leading scorer, had three assists for the 140th time in his career.

It was like old times for Gretzky and Muckler, who was on the coaching staff in Edmonton for all four of Gretzky's Stanley Cup victories. Muckler was hired to replace the fired Colin Campbell during the Olympic break.

Muckler watched his new team score more than three goals for the first time in 14 games.

**Devils 4, Lightning 1** Dave Andreychuk and Bobby Holik scored power-play goals to help New Jersey beat Tampa Bay for its fifth straight victory.

The Devils were in a 1-for-16 power-play slump on the road before going 2-of-7 against the Lightning.

Holik's goal, his 24th on a shot from the left circle, broke a 1-1 tie in the second period. He added an empty-netter with 36.5 seconds left as New Jersey stretched its unbeaten streak to six.

**Bruins 1, Sabres 1** With Dominik Hasek taking a post-Olympics break,



Coyotes in an Avalanche: A referee, Jay Sharrers, right, separates Phoenix and Colorado players during a second-period pileup in Denver.

Boston's Byron Dafoe and Buffalo's Steve Shields put on a goaltending clinic in Boston.

Dafoe stopped 20 Sabres shots, losing his shutout bid when Alexei Zhitnik's shot was deflected through his legs with 46 seconds left. Shields made 32 saves, allowing only Ted Donato's goal in the second period.

**Avalanche 3, Coyotes 0** In Denver, Patrick Roy stopped 27 shots for his 40th career shutout as Colorado completed a back-to-back sweep of Phoenix.

The Avalanche beat the Coyotes, 4-2,

Wednesday night in Phoenix.

**Kings 7, Black Hawks 4** Glen Murray scored twice in a four-goal first period to lead Los Angeles to victory in Chicago.

**Sharks 3, Blues 1** In San Jose, Mike Vernon stopped 26 shots as the Sharks beat St. Louis, which lost goalie Grant Fuhr in the second period with a knee injury.

Furuk strained a ligament in his right knee while stretching to stop a shot. He came out of the game in the second period, having allowed three goals on 17 shots.

## Verplank Plays Golf 'by the Rules'

### Diabetic Player Waives His Right to a Cart and Walks Course

By Bill Plaehke  
Los Angeles Times Service

VALENCIA, California — He was at the course at 5:30 A.M. Thursday, hitting practice drives under a spotlight, riding a stationary bike, stepping to the first tee just after dawn.

Then, for 18 holes, Scott Verplank, a diabetic, did what he always has done on the Professional Golfers Association Tour, though he knows he would play better if he didn't.

He walked.

"Doctors say I have more reason than anybody to ride a cart," he said after shooting a 3-under-par 68 to finish among leaders in the first round of the Nissan Open at Valencia.

Sitting in the midday quiet of the locker room, he put his hands on his knees and stared at his shoes, sighing, weary. "But I won't do it," he said. "It's not the way the game supposed to be played."

Meet the next Casey Martin, the anti-Casey Martin. He won't ride a cart, he says, because it's cheating. He says he has cheated.

In December, after Martin won the

right to ride a cart in the Tour's six-round qualifying school, Verplank threatened legal action if everyone was not afforded the same opportunity. Officials relented and allowed all 168 golfers to use a cart.

Verplank was one of about 20 players to accept the offer. He won the tourna-

ment by six strokes.

"Never felt better," he said. "Would I have still won the tournament? I think so. But would I have won it by so much and felt so good? No way."

He says the grueling week in central Florida was so much fun, he wished a certain Oregon judge could have been there.

"While everybody else was standing

around and waiting to hit their next shot, I was sitting in my cart with my feet up," he said. "I was only going to ride for a couple of rounds, but I got a nine-stroke lead and thought, what the heck? Why change a good thing?"

Afterward Verplank parked his cart, picked up his Tour card, and vowed never to ride again. "It's a farce to say that 'having a cart doesn't change things,'" he said. "Because it does."

You tell him you agreed with the judge who this month ordered the PGA Tour to allow Martin to ride a cart in Tour events. You ask him to explain why, if a cart has so much effect, don't more players ride them on the Senior PGA Tour?

"It's just not the way they were brought up; it's not who they are," he said. "I'm the same way."

Verplank, 33, became a full-time pro shortly after winning the 1986 NCAA championship for Oklahoma State. In 11 years since then, he has won two tournaments, none since 1988. He has never won more than \$366,045 in a season, which is less than a first-place check at many tournaments this season.

As a golfer he needs all the help he can get. Furthermore, he has been battling diabetes since age 9. He is the only diabetic on the PGA Tour and takes three shots of insulin daily. He eats several meals, even on the course during tournaments.

"My golf bag is like a grocery store," he said. The black-and-white monstrosity is filled with crackers, raisins, sandwiches, granola bars. Usually there is enough food to keep his blood sugar in check. But when there is not, he can play two or three holes in a haze, sometimes shaking. "I'm just drained," he said.

As if those symptoms weren't enough to warrant a cart, then there are the blisters. Verplank said that like any dis-

abled, foot conditions can become exacerbated because of circulation problems. "Casey Martin talks about losing a leg. Well, with diabetes, I could lose my leg and my life," said Verplank, who has also had three elbow operations.

Yet when he met here with Tim Finchem on Wednesday, and the PGA Tour commissioner asked what he was going to do about the cart situation, Verplank answered in one word: Nothing.

"I told him that for now, unless my health declines or the Tour loses the appeal, I'm walking," he said. "Golf is the one sport where everybody is not out there trying to get around the rules, and I'm proud of that, and I want to keep it like that."

Taught golf by his grandmother in Texas, subjected to scolding if he was ever less than a gentleman, Verplank does more than merely talk the rules.

A couple of years ago in Japan, he fell out of a tie for a tournament lead with four holes remaining when he penalized himself a stroke for an infraction that nobody had seen but him. His ball had moved an almost imperceptible amount when he placed his club on the ground behind it before a short putt. "Hardly anybody spoke English, so they didn't understand what I was doing," he said. "I kept saying, 'I got a bogey' and they kept shouting, 'No, par, par!'"

Then there was the time he played the wrong ball from the rough, but because his partner was using the same ball, nobody noticed. But Verplank did; much to his caddie's surprise, announced his mistake and two-stroke penalty. It dropped him from 12th to 60th.

And Casey Martin? What does Verplank think of Casey Martin?

"Well, he's never actually met him. As a human being, I admire his courage," he said. "But golf is about the integrity of the playing rules."

## SCOREBOARD

## EXHIBITION BASEBALL

## NBA STANDINGS

## EASTERN CONFERENCE

## ATLANTIC DIVISION

## CENTRAL DIVISION

## WESTERN CONFERENCE

## MIDWEST DIVISION

## PACIFIC DIVISION

## ICE HOCKEY

## NHL STANDINGS

## EASTERN CONFERENCE

## ATLANTIC DIVISION

## NORTHWEST DIVISION

## CENTRAL DIVISION

## PACIFIC DIVISION

## N.Y. Rangers

## SOUTH AFRICA

## GUARDIAN CUP

## FRIDAY IN LONDON

## QUARTERSHIPS

## RUGBY UNION

## SUPER 12

## Otago 26, Queensland 19

## Soccer

## AFRICAN CUP OF NATIONS

## FRIDAY IN CHAGAOUADOU, BURKINA FASO

## THIRD PLACE PLAYOFF

## Burkina Faso 4, Congo 4

## CONGRATULATIONS

## TRANSITIONS

## FOOTBALL

## NATIONAL FOOTBALL LEAGUE

## NFL ANNOUNCED AN OWNER IS DESIGNATED

## BY ALLEN ROBERT SMITH AND BRIAN

## BILLS 57

## TENNIS

## AUSTRALIAN OPEN

## FRIDAY IN MELBOURNE

## QUARTERSHIPS

## WEEK AHEAD

## SATURDAY, FEB. 28

## ATHLETICS

## VALDERRAMA SPANISH OPEN

## FRIDAY IN BARCELONA

## Soccer

## SUPER 12

## SUNDAY, MARCH 1

## ATHLETICS

## OHL, OSAKA, JAPAN — Shingo

## MATSUDA, NORTHERN HOUSTON —

## KELVIN LEWIS, RALEIGH, N.C. —

## REED, LEWIS, RALEIGH, N.C. —

## RUGBY UNION

## SUPER 12, NEW ZEALAND VS. ZIMBABWE

## Soccer

## SUPER 12, NEW ZEALAND VS. ZIMBABWE

## Soccer

## SUNDAY, MARCH 1

## ATHLETICS

## SINGAPORE, FEB. 28 —

## Soccer

## SUNDAY, MARCH 1

## ATHLETICS

## SINGAPORE, FEB. 28 —

## Soccer

## SUNDAY, MARCH 1

## ATHLETICS

## SINGAPORE, FEB. 28 —

## Soccer

## SUNDAY, MARCH 1

## ATHLETICS

## SINGAPORE, FEB. 28 —

## Soccer

## SUNDAY, MARCH 1

## ATHLETICS

## SINGAPORE, FEB. 28 —

## Soccer

## SUNDAY, MARCH 1

## ATHLETICS

## SINGAPORE, FEB. 28 —

## Soccer

## GUARDIAN CUP

## FRIDAY IN LONDON

## QUARTERSHIPS

## SOUTH AFRICA 231

## RUGBY UNION

## SUPER 12

## Otago 26, Queensland 19

## Soccer

## SUPER 12, NEW ZEALAND VS. ZIMBABWE

## Soccer

## SUNDAY, MARCH 1

## ATHLETICS

## SINGAPORE, FEB. 28 —

## Soccer

## SUNDAY, MARCH 1

## ATHLETICS

## SINGAPORE, FEB. 28 —

## Soccer

## SUNDAY, MARCH 1

## ATHLETICS

## SINGAPORE, FEB. 28 —

## Soccer

## SUNDAY, MARCH 1

## ATHLETICS

## DAVE BARRY

## Tax Advice - for Humans Only

MIAMI — It is time once again for our annual feature "Tax Advice for Humans," the column that explains the complex U.S. tax laws to you in simple, everyday terms that have virtually nothing to do with reality. This is the only tax-advice column that has the courage to give you the following written guarantee in writing:

"If, as a result of following the advice in this column, you are for any reason whatsoever confined to a federal prison, we will personally come and live in your house, until your refrigerator is out of beer."

So let's get started! Most likely the foremost question in your mind, as you prepare to fill out your federal tax forms, is: "Can I cheat?" A lot of taxpayers are thinking that this is a good year to take advantage of the Internal Revenue Service, because of the way it got hammered in those congressional hearings last September. Remember? One by one, taxpayers went before the Senate Finance Committee and told alarming stories like this: "I got a letter from the IRS computer stating that I owed taxes back to the year 427 B.C., which seemed like a mistake, plus the letter addressed me as 'The Dionne Quintuplets,' so I went down to the IRS office to straighten things out, and the next thing I knew I was being dangled from a helicopter by one leg."

When the nation heard these stories, everybody was outraged. The IRS formally apologized to the taxpayers and ordered the dismantling of the agency's primary guillotine.

So a lot of people are thinking that this year, while the IRS is under fire, is a good time to "play fast and loose" with their tax returns, and maybe even get revenge for the years of abuse by yanking the IRS's chain a little bit. One leading tax-preparation firm, which I will not identify here except by its initials, "H" and "R," has gone so far as to write taunting remarks in the margins of its clients' tax returns, such as:

• "Hey Audit Breath! If you don't believe I spent a 100 percent deductible total of \$24,123 on Pez, perhaps you would like me to complain to the Senate Finance Committee?"

• "No I shall NOT enclose Form 10448275-J! I shall use Form 10448275-J for INTIMATE HYGIENE PURPOSES HAHAHAHA!"

Thus kind of thing is, of course, a lot of fun, but we are not recommending it. What many people do not realize is that, after the IRS finished publicly apologizing to the taxpayers who testified against it last September, it quietly

## The law explained in simple, everyday terms that have nothing to do with reality.

The government considered handling this threat to the national security by sending a B-2 Stealth bomber to destroy Trongle's house and financial records, but the Air Force vetoed this plan because of the risk that the \$2 billion plane would be brought down by Trongle's lawn sprinkler. So the House and Senate Joint Tax Mutation Committee swung into action and made a number of significant changes to the Tax Code, which you need to know about.

Q. What, specifically, are these changes?

A. Nobody knows.

Q. How many taxpayers will have their total income-tax payments, for the entire year, used to provide food, housing, transportation, medical care, Secret Service protection and chew toys for Buddy, the new White House dog?

A. White House spokesman Mike McCurry says that the "best estimate" is currently "around 300 taxpayers" but notes that this number could rise significantly "if Buddy is implicated in this Whitewater thing."

Q. In your opinion, what is the single most common error that I am likely to make, as a taxpayer?

A. In our opinion, that would be having "light" beer in your refrigerator.

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tracked them down and relieved them of all of their worldly possessions, including corneas.

So we are not recommending that you cheat. You should heed the words of IRS Commissioner Charles Rossotti, who, in this year's Letter to Taxpayers, states: "Every citizen owes it to the nation to pay his or her fair share of taxes, unless of course he or she has made a whopping cash contribution to a key congressperson or President Bill 'Mr. Coffee' Clinton or Vice President Al 'I Honestly Thought That They Were Just A Bunch Of Very Wealthy Buddhist Nuns' Gore."

Here are some questions that you are likely to ask in preparing your tax returns this year:

Q. Did the government change the tax laws again?

A. Ha ha! That is the stupidest question we have ever heard! Of COURSE the government changed the tax laws!

The government had no choice! The government found out that, despite the fact that the U.S. Tax Code is larger than the entire state of Connecticut, there was still one U.S. taxpayer, Norridge K. Trongle Jr., who was able to correctly prepare his own tax return.

The government discovered this threat to the national security by sending a B-2 Stealth bomber to destroy Trongle's house and financial records, but the Air Force vetoed this plan because of the risk that the \$2 billion plane would be brought down by Trongle's lawn sprinkler. So the House and Senate Joint Tax Mutation Committee swung into action and made a number of significant changes to the Tax Code, which you need to know about.

Q. What, specifically, are these changes?

A. Nobody knows.

Q. How many taxpayers will have their total income-tax payments, for the entire year, used to provide food, housing, transportation, medical care, Secret Service protection and chew toys for Buddy, the new White House dog?

A. White House spokesman Mike McCurry says that the "best estimate" is currently "around 300 taxpayers" but notes that this number could rise significantly "if Buddy is implicated in this Whitewater thing."

Q. In your opinion, what is the single most common error that I am likely to make, as a taxpayer?

A. In our opinion, that would be having "light" beer in your refrigerator.

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## The law explained in simple, everyday terms that have nothing to do with reality.

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## Courtyards: The Paris Behind the Portals

By Mary Blume  
International Herald Tribune

PARIS — Something there is in the French that loves a wall. They think they crave intimacy but they indulge the lesser demands of distance: the word promiscuity means what it does in English, the French *promiscuite* means crowding or lack of privacy.

The sense of privacy, whatever its motives, is in Paris a source of visual delight: the sudden view of a hidden and unconsidered place. The present show at the Pavillon de l'Arsenal, "Paris cote cours: La ville derrière la ville" (Courtyards of Paris: The City Behind the City), deals simply with the many courtyards of Paris, some celebrated, others unknown, all by their nature cut off from the stranger's eye.

To say it deals simply is not quite right for Arsenal since they are aimed at architects and urban planners and the catalogues are written in contorted jargon, unbelieved by the canned birdsong against which the show is held.

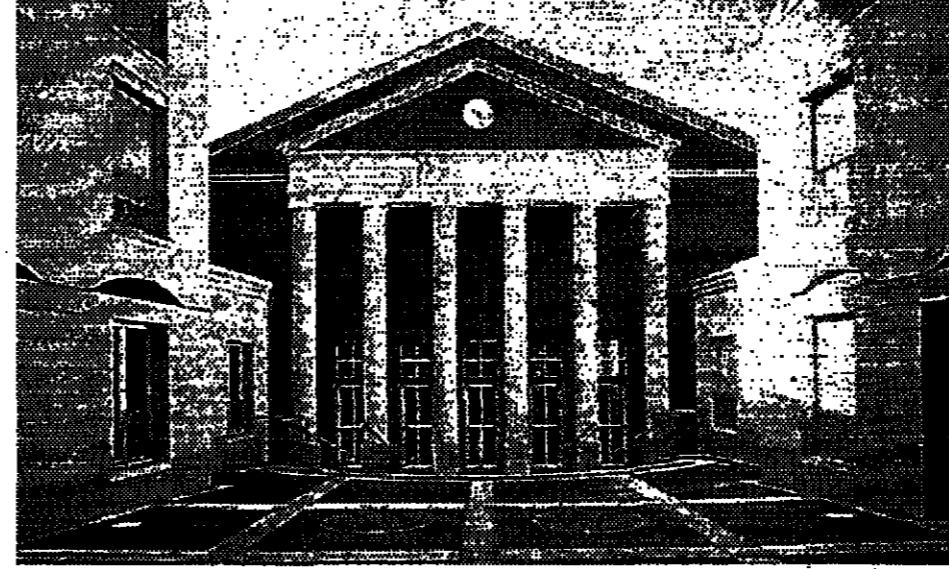
Of course, the specialists had a problem: not expressed but apparent, and that is how a courtyard should be defined.

The Cour de Rohan near the Odéon seems to qualify although it is in fact a short street; in Pigalle the street where Jean Renoir lived is mentioned as a courtyard although its name is Avenue Frochot. And there are the endless *passages*, *impasses*, *allées* and even *cités* that are deemed courts. Even Pierre Larousse compiling his dictionary in the 19th century tended to fudge the issue and so varied are the examples that today's architects use the old word *redans* or fortification, instead of *cour*.

For the unfurled pedestrian, a Paris courtyard is usually discovered by accident because a front door has been left open: smallish, with uneven cobblestones, and a concierge's log with ivy growing up its walls and, in summer, vacationing tenants' geraniums thriving in front of the concierge's door. They are wonderful, surprising and can be found throughout this city; they are more part of the lexis of Robert Doisneau than of modern theorists who refer to them, as a professor of architecture does, as "a structured void."

"The courtyard escapes controls. It is the opposite of the town, a sort of protected parallel world. . . . In courtyards a different sort of city appears, as if in reference to another time," the contemporary architect Alexandre Chemetoff writes. "The courtyard exists by contrast, it shows a hidden city, secret, reserved, in contrast to the strict alignments of boulevards and places."

There is the disappearing glass and iron rectangular courtyard of artisans' workshops, as at 13 rue Titon in the 11th arrondissement, and the grand courtyard Helene Rubinstein had built by Louis Sue in 1934-7 at 24 Quai de Béthune. There are the institutional courtyards of convents and prisons (one of the contributors, Jean-Pierre Le Dantec, spent nine months in the Sante prison for alleged "revolutionary activities"). There are the courtyards of



A modern courtyard treatment: The Abbesses theater in the 18th arrondissement.

modern office and apartment buildings, true *redans* laid out simply to cover underground parking space.

The first courtyards in medieval Paris were built on the rural model and centered on a common pump. For Victor Hugo the 14th-century Cour des Miracles (near the present Rue Montorgueil) was a sort of garbage dump/red-light district/asylum whose name may have come from the false lepers and epileptics recruited by priests to effect miraculous cures and thereby reinforce public faith.

By the late 17th and 18th century the Paris of wood



The Cite Fleurie, a classic Paris hideaway.

had become a Paris of stone. Fine town houses, or *hotels particuliers*, were backed by a garden and with a forecourt that served as stable and passage to the noble dwelling and separated it from the noisome street.

In the 19th century, with the invention of income-producing apartments and private houses, the profit motive inspired the shape of courtyards. They became a means of separating a large building into smaller units with different staircases and elevators and thereby eliminating dreaded *promiscuite*. While earlier the windows that gave on the street were the most coveted, it was realized that by putting larger light-catching windows in courtyard apartments and decorating the courtyards rooms could be handsomely increased.

In poorer neighborhoods the courtyard became a shared public convenience and the collecting spot for night soil, slops and used water. In 1894 a decree was passed demanding that landlords connect their buildings to the public sewer, a measure they deemed excessively hygienic and possibly socialist.

The Modernists of the 20th century had little time for courtyards; nor did the architects of post-World War II Paris. "The building space was viewed as such, without metaphorical meaning," the architect Eric Lapierre writes. Architecture without metaphor is unthinkable in Paris.

Christian de Portzamparc, one of France's top architects, says that early in his career when he entered an architectural competition, he was told he was wrong to think that hollowed out space could have architectural value. These days the courtyard is back in favor as a metaphor and architectural feature.

Every tall new building has a courtyard of sorts, some agreeable, some with wishfully redeeming planting so stiff that it looks as if it had been cut by barbers' clippers. A void, but not what Portzamparc had in mind.

Interestingly, the sketches that Portzamparc and the highly regarded Henri Cirianni contribute to the catalogue are not of their own buildings but of the small old cobblestoned courtyards that one falls on by happy chance.

They are among the glories of Paris: "Paris is a city of courtyards as others are of towers or parks or water," says the exhibition's curator, Pierre Gangnet. "A transitory space, then, where private and public mingle," says Le Danec.

The mingling is more metaphorical than real. Just the other day a couple of tourists walking up Rue du Bac spied a fine open courtyard backed by a glade of lovely trees.

They wandered in and were shortly stopped by a furious guard. "You can't come in, this is a ministry," he said. He didn't get it when the tourists started to laugh. It was a ministry, all right, but the Ministry of Tourism. "It is because courtyards are sites of memory that they are sites of freedom," Chemetoff writes in the catalogue. Not if you are a tourist, it seems.

## Rufus Sewell's Recurring Dream: Breaking the 'Byronic' Stereotype

By Sarah Lyall  
New York Times Service

LONDON — Rufus Sewell has been called "Byronic" so often that he has begun to have a recurring fantasy: He will shave off his rich, dark curly hair and begin his acting career again, typecast this time as an unprettily skin-headed.

"I don't want to be a hair actor," he said over lunch at the fashionable Ivy restaurant, at a prime table that befit his status as a local star who just happened to have two films — "Dangerous Beauty" and "Dark City" — opening within a week of each other.

Neither his rumpled, all-black clothes nor his unbrushed hair and unshaven chin dimmed the impact of his most prominent features: his enormous, slightly protruding greenish-hazel eyes and finely chiseled cheekbones. "I don't want to be an actor who's good-looking. I'd like to be as good-looking as I can, but I don't want to be a good-looking actor."

He went on: "It's not that I'm against being called Byronic, but it's certainly no truer than anything else. You don't want to hear it more than twice in a row."

Sewell, who was once seen smooching with Kate Winslet at this very restaurant but who is now happily living with a fashion journalist, has some reason to be concerned about show business's looks-ist tendencies.

Just as Colin Firth, another appealingly unkempt British actor, burst into the public consciousness when he emerged from a lake in a wet poet's blouse in the BBC version of "Pride and Prejudice," so Sewell, 30, has found the public — particularly the female public — most responsive when he wraps his brawny, six-foot-tall physique in a frock coat and tight Edwardian pants.

Most memorably, the roles that have called for such display have included Septimus, the dreamy tutor in Tom Stoppard's 1993 play, "Arcadia," onstage in London, and Will Ladislaw, Dorothea's passionate, unconventional suitor in the BBC's adaptation of George Eliot's "Middlemarch" (1994).

Casting Sewell in "Arcadia" was "a stroke of luck for us," said Stoppard, who couldn't resist evoking a certain Romantic British poet. "He was Byronic, with a very good comic instinct. I don't think the character in 'Arcadia' could have got off to a better start. Is Rufus a sex symbol? Well, good for

him, but he's also an extremely accomplished actor."

Sewell has played a host of other characters, like Patsy Kensit's charming, heroin-addicted boyfriend in the movie "21," a suspected Irish Republican Army terrorist in Stephen Daldry's 1995 London revival of the play "Rat in the Skull," a sexy painter in the film "Carington," and a sensual rube in "Cold Comfort Farm." But he worries about being typecast as a romantic lead in roles for which he feels he doesn't have a particular aptitude.

He needn't worry anymore. The films in which Sewell is appearing currently display his versatility.

In "Dangerous Beauty," he plays Marco, a dashing 16th-century Venetian nobleman who chooses love with a beautiful, spirited and brilliant courtesan, played by Catherine McCormack, over duty with a plain and pious wife. This is a film that brings him close to his reluctant Lothario image.

In "Dark City," a film that is part noir, part science fiction, Sewell plays a bewildered American who wakes up next to the body of a murdered woman, not knowing where — or who — he is. And in "The Woodlanders,"

adapted from the Thomas Hardy novel and is out in Britain, he plays Giles Winterbourne, a simple laborer, hopelessly in love with his childhood sweetheart (Emily Woof), who marries above her station and learns, too late, that she has chosen the wrong man.

"Dark City" is clearly a departure for Sewell. It's a surreal, almost hallucinogenic, work set in a world of eternal night where an eerie group of deathly pale creatures in leather overcoats are conducting sinister experiments with human memory. The cast includes Kiefer Sutherland as a sickly doctor, William Hurt as a world-weary police detective and Ian Richardson as the leader of the supernatural villains.

While this strange film may not have wide appeal, it could attract a cult following. Sewell, who clearly loves going to the movies as much as he loves acting in them, described it as a "Fritz Lang science fiction film."

"That's what I loved about it," he said. "That it's a strange mix of styles. When I read the script, it reminded me a little bit of 'Brazil,' a little bit of 'Barton Fink,' a little bit of 'Jacob's Ladder.' What I like about it is the way it doesn't worry about the why and the how, but just says, 'This is the way it is.'"

## PEOPLE

THE actress Pamela Anderson Lee of "Baywatch" fame has filed for divorce from Motley Crue's drummer, Tommy Lee, after he was arrested for allegedly assaulting her. In her petition, she asked for custody of their two young children, a protective order keeping him away from her and the children, and her old name back — Pamela Denise Anderson. She said the couple had separated on the day of the alleged assault, Tuesday, at their Malibu home, where Pamela Lee told deputies that she and her husband had argued and that he had attacked her. The actress declined medical treatment, and her publicist initially issued a statement calling the incident a "private matter between Pamela and Tommy Lee." But later she issued a distinctly different statement: "Tommy Lee assaulted and battered Pamela while she was holding their 7-week-old child, Dylan, and in the presence of their 20-month-old son, Brandon, causing her and Dylan physical injuries and severe emotional distress, and causing Brandon emotional distress."

The New York Philharmonic has announced that Kurt Masur will continue as its music director through the 2001-2002 season as the orchestra looks for his eventual successor. Masur, 70, the Philharmonic's music director since 1991, fueled gossip in music circles when he complained that the Philharmonic was pressuring him to retire. He told The New York Times that he would search for his replacement but might stay longer "if we don't find someone."

The romance novelist Danielle Steel will marry for the fifth time, this time to the venture capitalist Thomas J. Per-

kins. Steel would not give a date for the wedding but said it would be small.

Work-release must cease for Robert Downey Jr. So says the Los Angeles County Sheriff's Department, which opposes any more escorted excursions for the actor, who is serving a six-month jail sentence for drug violations. Downey has twice been allowed to leave jail for a day to work on movies, most recently on Feb. 17, when deputies escorted him to Paramount Studios to do some recording. "It's too disruptive and not the way to operate a jail for the convenience of any inmate, no matter who that might be," Sheriff Sherman Block said. Downey had been ordered to pay for the escorts.

The Spice Girls have no plans to perform at an Indian archaeological site famed for its erotic sculptures, a spokesman said. A newspaper report last week about the group's planned performance in November in the central Indian town